October 8th, 1927

MAGAZINE OF WALL STREET

8 Stocks in Bargain Counter See Page 1022

35 Cents A Copy

C. G. Wyckoff
PUBLISHER

Turning Point for Rails!

Market Possibilities of 50 Stocks—
See Pages 1004-1007

Will Federal Reserve's New Move Lead to Credit Inflation?

In this Issue:

Ex-Gov. George S. Silzer of New Jersey
Percy H. Johnston, Pres. Chem. Nat'l. Bank
Percy S. Straus, Vice-Pres. R. H. Macy & Co.
H. Parker Willis, Ex-Secy. Fed. Res. Board
E. J. Cornish, President National Lead Co.
G. B. Caldwell, Vice-Pres. U.S. Bd.&.Mtge. Co.
J. J. Hegeman, Pres. Hegeman, Harris & Co.

Member Audit Bureau of Circulations

CONTENTS

Vol. 40. No. 12 — October 8th, 1927

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, and the Investment and Business Forecast, issued weekly

Copyrighted and published by the Ticker Publishing Co., 42 Broadway, New York, N. Y. C. G. Wyckoff, President and Treasurer. E. D. King, V.-Pres. and Managing Editor. Victor E. Graham, V.-Pres. and Advertising Manager. The information herein is obtained from reliable sources, and, while not guaranteed, we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE, $7.50 a year, in advance. Foreign subscribers please send international money order for U. S. Currency, including $1.00 extra for postage (Canadian 50 cents extra).

TO CHANGE ADDRESS—Write us name and old address in full, new address in full, and get notice to us three weeks before issue you desire sent to the new address.

EUROPEAN REPRESENTATIVES: The International News Company, Ltd., Breams Building, London, E. C. 4, England.

WITH THE EDITORS

Wholesome Distrust

IT is a fair assumption that the man who controlled the destinies of the United States Steel Corporation through the quarter of a century of its existence would have unusually wide experience in the realm of business and finance. What he has to say to those into whose hands his vast personal fortune is about to pass is well worth the consideration both of experienced investors as well as those who are not quite so much at home in this field. So when the late Judge Gary writes on money matters and good investment practice, his words are indeed words of wisdom.

In Mr. Gary's will, an entire section of the nineteen-page document was devoted to practical advice to his heirs cautioning them against practices which have frequently led to the dissipation of estates of similar proportions.

"I earnestly request my wife and children," he wrote, "that they steadfastly decline to sign any bonds or obligations of any kind as surety for any other person or persons; that they refrain from anticipating their income in any respect; that they refuse to make any loans except on the basis of first-class, well-known securities and that they invariably decline to invest in any untried or doubtful securities or property or enterprise or business. They should reject any representations or opinions of others if involved in any doubt. They will be approached frequently with suggestions for investment that are not entitled to be relied upon from a business standpoint."

It is evident from these words that Mr. Gary with his characteristic sagacity thoroughly appreciated the necessity of putting his heirs on their guard against those who might wish to take advantage of them. The late Steel head was first of all a practical man with a heavy strain of idealism in his nature which made him beloved by his associates and admired by his foes. It was his desire to have his heirs conserve and fully enjoy the vast fortune which he had created for their use. As a practical man he recognized the need for wholesome distrust by those who have sums of money large or small at their disposal for investment. To be equally practical, investors—particularly inexperienced investors—should surround themselves with the same safeguard.

In the Next Issue

Three Security Articles of Great Value

1. *50 Market Leaders Rated*

—an intensely interesting feature which gives the essential news on fifty of the market's leaders. Presented in such form as to give the reader a definite picture of each company's status. Includes a market rating of each stock.

2. *What To Do About Your Automobile Stocks*

—soon Ford will launch his new car. How will that effect other automobile manufacturers, especially those making low-priced cars? A first hand impression of the situation, together with a table giving definite advice as to what to do.

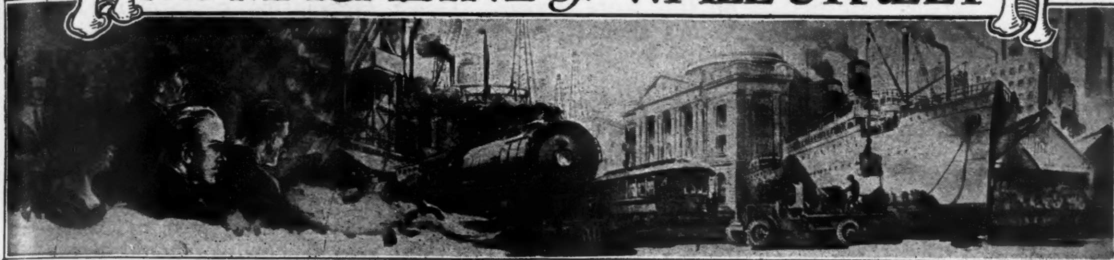
3. *Opportunities in Stocks Which Declined in 1927*

—the second part of the feature, of which the first section is printed in this issue. Eight more attractive issues which have declined below their reasonable value, thus offering opportunities to investors.

Other Important Features Makes This An Exceedingly Practical One for Investors

—IN THE OCTOBER 22nd ISSUE—

The MAGAZINE of WALL STREET



C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Introduction of Foreign Shares to American Market— The Results of 1927's Crops—Money Rate Situation— Backward Railway Stocks—The Market Prospect

ACCORDING to plans of several leading banking houses, this autumn will witness the introduction of foreign shares to the American market on a much larger scale than anything heretofore attempted. American investors, of course, have for a long time been familiar with foreign bonds, both government and industrial, particularly since the ending of the war when almost every important nation in the world has borrowed from us. Foreign shares, however, are not so well known though in fact four have been listed for years on the New York Stock Exchange. Additionally, in recent years American investors have become part owners of European enterprises through purchase of bonds with warrants attached. The scope of the coming movement, however, is quite broad. For example, it is reported that a syndicate is arranging to have French bank shares sold in the American market and, also, there are reports of greatly increased activity in regard to German industrials.

It is significant that the New York Stock Exchange has recently announced that its trading facilities would be increased to permit the doubling of stocks already listed. This will permit the inclusion of a large number of stocks of purely foreign origin. A technical problem exists, however, which must be solved by the Stock Exchange authorities. Outside of British shares, most European issues are in "bearer" form, highly restricted as to transfer purposes, but the fluidity of our own stock transfer system precludes any extensive trading in European shares if sold to American investors in their present restricted form.

There is a method already in use which should be followed. Thus the four stocks already listed on the New York Stock Exchange are in trust certificate form, with the actual shares deposited in a New York trust company, the trust certificates being issued against the original stock. This method has worked out so successfully that it seems reasonable to conclude the Stock Exchange will adopt a similar policy in regard to forthcoming issues of foreign shares.

Of much greater importance, however, is the policy to be laid down by the Exchange in regard to listing requirements. Present requirements as to domestic issues are sufficiently stringent to give reasonable assurance to intending purchasers. Such protection is much more necessary in the case of stocks representing companies entirely of foreign extraction. With sources of information concerning company operations, earnings, finances and the like some thousands of miles away, it will naturally be more difficult for the investor to secure data than in the case of domestic companies. In that case, the future listing requirements of foreign stocks will attain an importance not true even of American issues. Hence, action to be taken by the Stock Exchange in this matter will be awaited with keen interest.

Pending further information on this score, the attitude of American investors should be one of neutrality in regard to foreign shares until they are convinced that all reasonable precautions have been taken for their protection by constituted authorities.

1927 CROPS

IT is estimated that the net increase in value of 1927's crops will be at least one billion dollars in excess of last year's. This means increased prosperity in those farming sections which have been specially benefited. Reports of more active trade in these localities have been noted, a barometer not without value as indicating a general stirring of the business pulse. Not only are there reports of better retail sales but such as automobile and tire sales are reported as "picking up." From the viewpoint of national conditions, the increase of over a billion in the nation's spending power should have a considerable tendency toward improvement in the general volume of business and profits. Nevertheless, the year is so far gone and the reduction in earnings generally so marked, it is doubtful that the more pleasant picture afforded by the crop situation can have a more pronounced effect than to make the decrease from 1927's business record smaller than it would otherwise have been.

MONEY RATES

PRESENT conditions of ease in the money market seem destined to meet with a temporary interruption in the near future. The greatly increased speculation in the stock market and the growing needs of business which may normally be expected to materialize at this time, in addition to the encroachments on the money market by the current increase in financing through security issues, may be depended on to restrict the amount of available credit, not to any alarming proportions, but sufficiently to have a definite effect on the call money rate.

RAILWAY SHARES

DESPITE a generally sustained advance in leading industrial shares in the past few months, the railway group has made practically no headway. In fact, most of the group are selling below their highest prices established earlier in the year. This disappointing performance, of course, was due to the decrease in earnings as compared with last year. Indications for the balance of the year seem more encouraging, however. The normal seasonal increase in traffic is at hand and earnings reports should reflect this situation in coming months. While it is doubtful that in the majority of cases, railway earnings for 1927 will be as large as those of 1926, nevertheless the total year's showing should prove relatively satisfactory. In anticipation of this outlook, railway shares have recently become more active on a rising scale of prices. A fair number of roads which have been in a position to increase their dividend rates have held off until clearer indications of the outlook, but, with comparatively fair weather ahead, it appears that the next few months will be marked by a number of dividend announcements of a favorable character. While it is true that in the past few years these shares have made a very great recovery, it is clear that their advances have been deserved for the most part and that the rank and file of the better grade stocks rest on a sound investment basis. For long term investment, there are a good number among the better grade issues which still merit the consideration of investors.

MARKET PROSPECT

AFTER several weeks of irregularity and reaction in stock movements, the market, influenced by a comparatively favorable statement on brokers' loans, turned around and staged as an impressive rally as has been witnessed in some time. The reaction undoubtedly removed some weak spots and left the market in an improved technical position. The present rally, however, may not hold for very long and after the expected reaction it would be a natural outcome for the selective process in stocks to start once more. In a particularly advantageous position are the railroad shares which are bound to be influenced by the seasonable increase in their business. The steel group is also likely to benefit from prospects of an increase in business during the latter part of the year. Merchandising issues should be susceptible to the usual active year-end season. On the other hand, many of the high-priced shares, particularly in the industrial group are in a vulnerable position and should be avoided. There are still a number of attractive opportunities among medium-priced shares.

Monday, October 3, 1927.

Is Money Support of Stock Market Threatened by Federal Reserve's New Move?

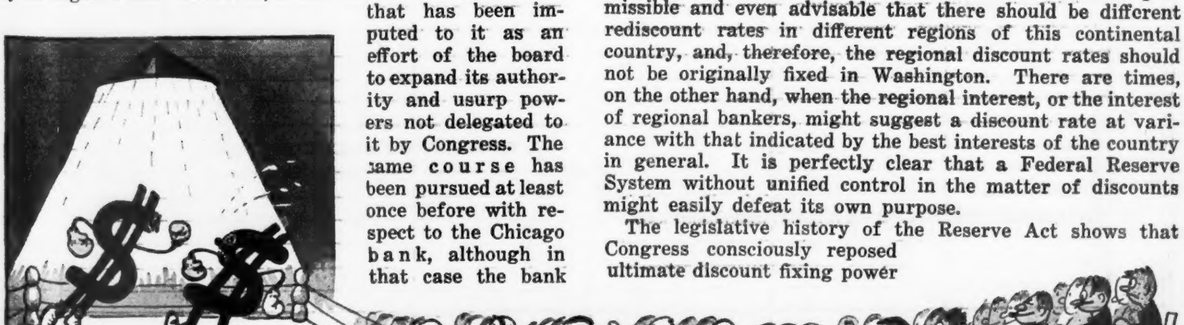
THE action of the Federal Reserve Board in compelling the Chicago Bank to reduce its rediscount rate—against the latter's wish—seemingly has precipitated a crisis in that it has opened up a bitter controversy in regard to the limits of the Federal Reserve Board's powers. It has been the definite policy of the central bank in recent months to ease the money situation, something that it may easily achieve through its power over the formidable weapon of setting the rediscount rate. ¶In some quarters, the central bank authorities have been accused of favoring a policy of credit inflation. Whatever its motives may be, there is no question that due to its policies, money rates are abnormally easy for this time of the year. ¶Thus far, controversies on Federal Reserve Board matters have been kept within the limits of the banking world but they threaten at this stage to become political material during the forthcoming presidential campaign. ¶In order to aid American business men and investors to gauge the implications of the situation, we have requested three authorities to present their views. We recommend them to the serious attention of our readers as they represent a complete review of the two sides of the controversy now raging. ¶Though there are many interesting angles to the situation, we particularly refer to those sections dealing with the stock market and international phases. In a subsequent article, we shall cover the international phase in more complete form, particularly in relation to the question as to whether to some degree the Federal Reserve Board policy is influenced by probable forthcoming attempts to adjust European government debts to this country.

The Federal Reserve Board's Discount Power

By a Financier Behind the Scenes

THE following defense of the Federal Reserve Board was written by a banker of national reputation, who is fully cognizant of every phase of the quarrel between the board and the Chicago Reserve Bank. His eminence is such, indeed, that he fears that use of his name would only add fuel to the flames. At the same time, he is convinced that it is well that the public should be informed of the true situation before its opinion crystallizes. —EDITOR.

The course of the Federal Reserve Board in directing the Chicago Reserve Bank to reduce the rediscount rate from four to three and one-half per cent clearly establishes the intention of the board to use the authority reposed in it by its organic act. However, it has none of the significance that has been imputed to it as an effort of the board to expand its authority and usurp powers not delegated to it by Congress. The same course has been pursued at least once before with respect to the Chicago bank, although in that case the bank reconsidered and asked to have the record modified, so that it appeared that the change in rate was freely made.



There is no question whatever that the reserve board has full power to review and determine the discount rates of the various reserve banks. Moreover, it is perfectly evident that the Federal Reserve System could not serve the purposes its authors, Congress and the public had in mind when the act was passed if the board did not have authority that would enable it to co-ordinate and regulate the discount policies of the different reserve banks as occasion might arise.

One of the fundamental ideas of the creation of the Federal Reserve System was so to unite and organize the financial resources of the United States that they could be massed to promote the economic welfare of the people and to prevent financial disasters, arising from inability to mobilize our financial reserves. It is often permissible and even advisable that there should be different rediscount rates in different regions of this continental country, and, therefore, the regional discount rates should not be originally fixed in Washington. There are times, on the other hand, when the regional interest, or the interest of regional bankers, might suggest a discount rate at variance with that indicated by the best interests of the country in general. It is perfectly clear that a Federal Reserve System without unified control in the matter of discounts might easily defeat its own purpose.

The legislative history of the Reserve Act shows that Congress consciously reposed ultimate discount fixing power

in the reserve board, and that that power was not given to the board by oversight. As the bill was originally drawn, the discount provision was so worded that discount rates were "subject to review by the Federal Reserve Board." This was changed in committee by adding the words "and determination," because it was intended to remove all question as to the ultimate authority of the board in this matter.

Furthermore, the general theory and context of the law clearly imply that general discount determination authority rests with the board.

It is difficult to explain the recently stated view of Senator Carter Glass, one of the authors of the Federal Reserve Act, that the action of the board in fixing the Chicago rate was an invocation of authority, which it might assume, if at all, only in case of great national emergency. Senator Glass takes the position that the framers of the act never contemplated any such action as the board has taken in the Chicago case. But eight years ago, when Senator Glass was Secretary of the Treasury and much nearer to the enactment of the great piece of legislation which so honors his name, he recorded himself as being of an entirely different opinion. Writing to the Attorney-General of the United States on this very subject of discount power, December 4, 1919, Secretary Glass, referring to an opinion of the Consulting Council of the Federal Reserve Board (W. C. Elliott) that the board had full discount fixing powers, expressed himself as follows.

"I may say that, while I concur fully with the opinion of Mr. Elliott as far as it goes, *I think it could have been made even stronger had he known the facts as I know them.* My recollection is especially clear in regard to all of the circumstances connected with this feature of the Federal Reserve Act and there can be no question of the intention of Congress to give the Federal Reserve Board *complete power in the matter of fixing the rate of rediscount.* * * * *"

In the same letter Secretary Glass made a point that is of great significance in the present situation. He referred approvingly to Section 14, which authorizes the Federal Reserve Banks to engage, under the permission or direction of the Federal Reserve Board, in open market transactions intended to exercise influence on all discount rates in various regions of the country, as "tantamount to the power exercised over the money market by the Bank of England, when it goes into the open market to enforce its discount rates." This point was very well taken by the Secretary, because nothing could be more unreasonable than for the Federal Reserve Board to have the power to influence money rates by open market operations when some of the regional banks might be counteracting its efforts by fixing discount rates which it had no power to alter.

(*Please turn to page* 1070)

Board's Policies Involve Credit Inflation

***An Interview with* H. PARKER WILLIS**

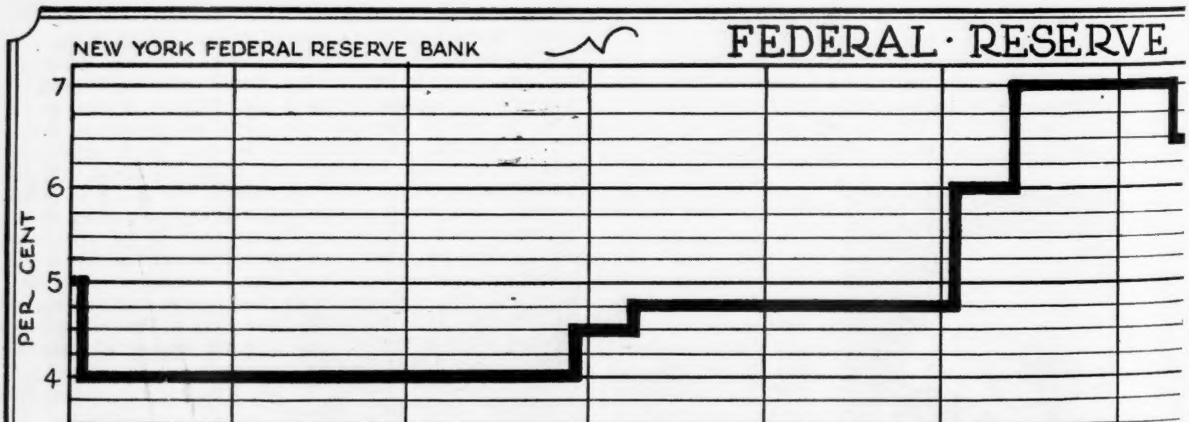
Former Secretary Federal Reserve Board

THE present effort of the Federal Reserve Board to establish a uniform rediscount rate for all of the Reserve Banks is distinctly a departure from the banking practice contemplated by the law which created this system as well as from the established policies and practices of the Reserve Board. This departure involves numerous probabilities—numerous dangers—and it is indeed fortunate that the difference of opinion within the system has at last become known to the public, through the open protest of the officials of the Chicago Reserve Bank. It is a hopeful trend of affairs that in this case, at least, the public is placed in the position of arbitrator. For, in the final analysis, public opinion must determine the course which our reserve system will take when the board finds its constituents in opposition to a policy so closely linked up with the common welfare as its present "easy money" policy.

The Chicago incident may be viewed from two angles. First, is the question of the intent of the Federal Reserve Act as to the legal position of the board in its control over the regional bank's rediscount rate. In this connection the recent statements of Senator Glass, who framed the act, to the effect that such control was never intended, is most significant.

Aside from the legal phase of the problem, however, there remains the question of whether or not the board *should have taken this action.* There is considerable reason and fact to support the position that the board did not act wisely nor for the public welfare, granting its authority to act as it did.

Specific reasons why the determination of the rediscount rate should rest with the judgment of the officials of the regional bank, *excepting always, dire and obvious emergencies in which central control would be legal,* might be stated as follows: first, because the members of the board are not familiar with local conditions, neither do they make it their business to constantly familiarize themselves with



regional banking needs. Second, because the board is not equipped either with personnel or staff nor the equally essential practical banking experience to yield rate making powers, as is the case in central banking practice in other countries. Rediscount determination is now largely a matter of administration policy, represented to the board directly or through the Secretary of the Treasury.

The third, and probably most effective argument against the practice of rate domination by the board, is the trend toward central control that any such action implies and the dangers attendant thereon. The Federal Reserve System was originally established as a substitute for and to avoid the creation of a central bank, the control from Washington being intended merely to function in harmonizing existing rates of the twelve banks. To give up their autonomy in rate making is only a step away from centralized money control either from Washington or through domination of the strongest bank in the system, with the regional banks doing a sort of "branch banking" within the system. This danger is very close at the present time.

The opposition of the western bankers, also brings to light the feeling throughout the banking fraternity that the present policies of the Federal Reserve Board leading to a state of credit inflation. The present rate structure is too low. With business expansion definitely limited through the present state of over capacity in a number of industrial lines, business is in no position to use the abundant supply of cheap capital now available and these funds are going into stock market and investment channels. United States Steel common, for example, paying a $7 dividend is far more attractive at its present level with 3½% money than it would be if money cost 4½%. The same principle applied to other leading issues is undoubtedly a prominent factor in present price trend.

Cheap money serves as a tonic to general business activity and a stimulant for an apparent state of prosperity, but beyond a certain point we are faced by the danger of an easy money situation causing undue competition for existing securities. The extreme heights to which brokers' loans have risen during the current year indicate the extent to which this cheap money is flowing into the stock market. The differential in the rediscount rate between Chicago and New York served as a check on the flow of money from the West for speculative purposes in the East.

Under the guise of providing cheap money in the Middle West for the movement of crops, the board has been instrumental in keeping funds in New York where they are likely to be used in a large measure for stock market operations. In the meantime, as every banker and farmer knows, the western farmer is paying 6% or more for his accommodations without obtaining much material advantage from the ½% reduction in the rediscount rate.

Further Centralization of Money Control Opposed

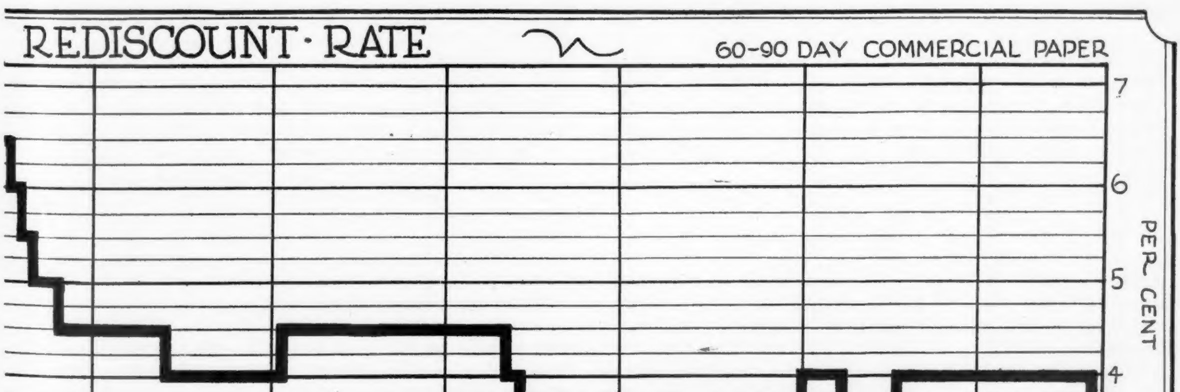
By Ex-Gov. GEO. S. SILZER

THE question of policy with regard to the Federal Reserve Board presents an old question in new form. It is, and ever will be the same question in a country like the United States. At the very beginning the theory was that the states should have local home rule and self-government and should not be interfered with except as might be necessary for the protection of the nation. Unfortunately, this doctrine has been changed in practice, so that local self-government has often been replaced by bureaucratic government from Washington.

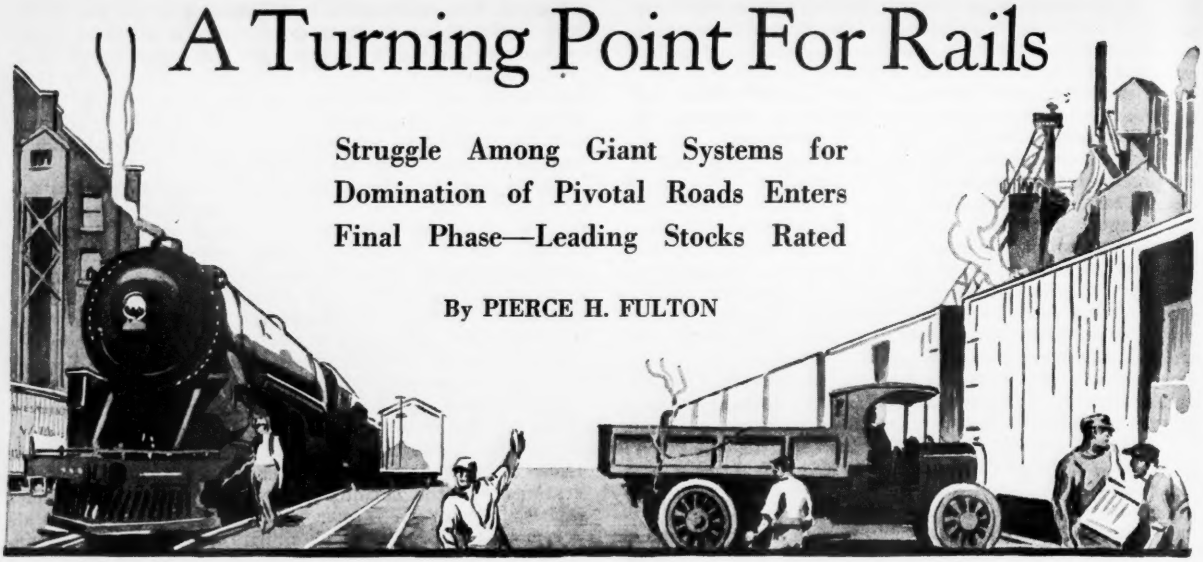
In a country like the United States, it is inevitable that in certain areas problems will take on different forms from those in other areas. So it is that the Federal Reserve Act again emphasizes this ever present question.

The Federal Reserve banks of the various districts are composed of men of the highest integrity and best financial and commercial skill in those districts. They know every local need and are familiar with every requirement. No one can know so well as they what to do in that particular district. In such circumstances the districts should have full and complete home rule and self control in that district. That control should not be surrendered or given to a central body in Washington which cannot be as familiar with local requirements as the regional bank. We should not go further toward centralization of control, as we have already done in so many other matters connected with government.

It seems to me that if we go back to first principles of government, we will have a solution of the present controversy as to policy. The principle is that there should be as much local and self-government in the region as is possible, and that the central body at Washington should not interfere with the local boards, except when said boards may be actuated by selfishness or other improper motives (which is quite unlikely to happen), and when an emergency exists, or the national welfare demands that concerted action be taken on the part of the central body. In all other circumstances, local autonomy should prevail.



A Turning Point For Rails



Struggle Among Giant Systems for Domination of Pivotal Roads Enters Final Phase—Leading Stocks Rated

By PIERCE H. FULTON

ALTHOUGH the smallest in area, Wall Street always has been one of the greatest battle grounds of the world.

There is every present indication that this somewhat anomalous situation will continue indefinitely.

Within the narrow precincts of the financial center of the western world—and of all worlds—according to most unprejudiced authorities, titanic struggles are going on constantly for control of corporations—railroad, industrial, financial.

Methods of warfare, weapons and ammunition in Wall Street may have been somewhat different in the past but are becoming strikingly similar to those used on the most modern battlefields.

Formerly when Wall Street sought control it greatly depressed the business of an enterprise, "knocked the securities down" in the market, bought them in at bankrupt prices, reorganized and consolidated the property.

Now they "buy into a position" in a property sought, then try to harmonize their various and conflicting interests around the conference table.

Efforts of opposing groups to get control of Lehigh Valley, Wheeling & Lake Erie and Western Maryland furnish the best illustrations of some of the most modern Wall Street methods of warfare.

Three big Wall Street battles are going on right now.

About to Start

Activities are about to be resumed—mostly in a public way before that august and all-powerful body, the Interstate Commerce Commission.

Its decisions are not likely to come down for some time.

When they do, if in the affirmative, they will greatly change the railroad map of the United States.

These battles for control of strategic properties, with a view to rounding out voluntary merger plans, are in three widely varying geographical areas.

Very properly they may be designated as follows:

The Battle of the East;
The Battle of the Northwest;
The Battle of the Southwest.

In the east the struggle as to individual properties is largely for control of the Lehigh Valley, Wheeling & Lake Erie, Western Maryland, Pittsburgh & West Virginia and Wabash.

It has grown out of a plan that has been under way for more than three years to put all the railroads worth while, east of the Mississippi into four or five big groups. In the Four-System plan the New York Central, Pennsylvania, Baltimore & Ohio and Nickel Plate were to be the central companies.

The opposing forces in The Battle of the East, are, on the one side, the Pennsylvania Railroad, with its president, W. W. Atterbury, "The Fighting General," in command, who is ably supported by L. F. Loree and his ambitious plan for a railroad across the state of Pennsylvania, and a fifth system in the Eastern District. Both have the powerful banking house of Kuhn, Loeb & Co. behind them.

Arrayed against these Wall Street and railroad warriors, are the New York Central, Baltimore & Ohio and Nickel Plate. Their movements are directed largely by George F. Baker, "The Dean of Financial Giants," J. P. Morgan and the House of Morgan and A. H. Harris, financial vice-president of the New York Central.

Origin of the Fight

The Battle of the East really had its origin in the tentative grouping plan of the Interstate Commerce Commission for all the railroads of the United States, that was brought out on August 3, 1921. The officials and directors of most of the big eastern roads and systems were not satisfied with many features of the I. C. C. grouping for their properties.

Accordingly, they set out to make their own groupings. Little did they realize before undertaking this self-imposed and gigantic task, that they would experience far greater difficulties in agreeing among themselves with regard to their own groupings than they had with respect to those set up by the commission.

Well-defined efforts to form a Four-System plan were not begun until after the hearings before the I. C. C. on its own tentative plan "had been concluded and the case submitted."

That plan called for "9 or 8 systems in the eastern group according as the New England Lines were or were not consolidated into a separate system."

It is recorded that "at the hearings [on the I. C. C. plan] controversies as to be disposition of certain properties arose which seemingly might not have arisen, or at least would have involved different considerations if a smaller number of systems had been originally proposed."

It is further recorded that it was decided that "an attempt should be made to work out a Four-System plan, which might meet the criticisms that had been made of the tentative plan and might afford a means of reconciling the controversies that had arisen."

This, in a word, is the situation out of which later a Four-System plan grew, and which has resulted in one of the biggest battles ever waged in Wall Street for the control of an important railroad. It was not until almost three years after the I. C. C. made public its tentative plan for all the railroads of the United States that representatives of the leading systems in the Eastern District took formal steps to make such a plan. Here are the exact dates, if any one should want them. The I. C. C. plan was announced on August 3, 1921. Conferences on the Four-System plan for the eastern lines were begun on May 8,

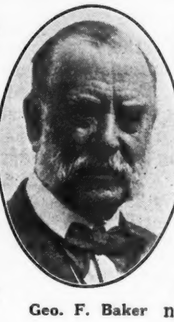
1924. They ended on September 25, 1924, and were nine in number. Representatives of the Pennsylvania, New York Central, Baltimore & Ohio and Nickel Plate System were present at each of the gatherings.

L. F. Loree and a fifth system, for which he would be the sponsor, had not come into the picture up to that time.

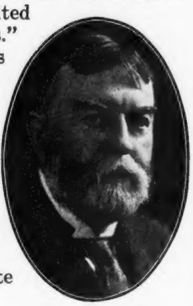
In the light of what has happened since, it is highly significant, and equally important to note from the official record, that "all of these meetings were held in the office of the Pennsylvania Railroad in New York City." Subsequently they were held elsewhere—in the office of the New York Central and J. P. Morgan & Co. Thereby hangs a tale of great interest in connection with some of the most recent developments in The Battle of the East. More about that later.

Just one other quotation from the official record, in order to give the proper setting to the efforts made for a Four-System plan. It is this:

"About the first of September [1924] it became apparent that the objections raised by the representatives of the Pennsylvania System could not be harmonized with the views of the representatives of the other three systems, and at the final meeting on September 25 it was agreed that as a next step in an effort to accomplish something constructive, the three systems would make their recommendations to the I. C. C. at an early date and at the same time the Pennsylvania System would present its views."


Geo. F. Baker

The presentation was made and was known officially as the "Suggested Consolidation of Railroads of the Eastern District into a Limited Number of Systems." The statement was made by P. E. Crowley president of the New York Central Lines; Daniel Willard, president of the Baltimore & Ohio System; J. J. Bernet, then president of the Nickel Plate System, now president of the Erie Railroad.

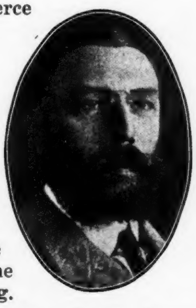

L. F. Loree

Some of the principal figures in the coming battle for the control of pivotal railroads. These men will have an important say in the outcome of the pending struggle.

The statement was made, "at an informal conference with the Consolidation Committee of the Interstate Commerce Commission, January 26, 1925."

Still on Paper

That was two years and more than nine months ago, and still the Four-System plan is only on paper. It has been written and re-written so many times, with so many changes, that it is well nigh illegible, except to those who have had their noses "closest to the grindstone" in the whole undertaking.


Arthur Curtiss James

At that "informal conference" early in 1925 the Pennsylvania made known its position in no uncertain terms. Its representatives refused to accept the plan as suggested by the representatives of the New York Central, Baltimore & Ohio and Nickel Plate. These three stood equally adamant against the demands of the Pennsylvania.

The fight was on. It was three against one. Before the Four-System plan had been undertaken, the struggle was largely between the representatives of the eight or nine systems proposed by the I. C. C. for the Eastern District and itself.

From the first, one of the chief contentions of the Pennsylvania has been that it was not fairly treated in the proposed Four-System plan as presented to the I. C. C., because it was not accorded a direct line from New York to Buffalo that would constitute the eastern end of an "additional route of that system from New York to the West, via Buffalo, connecting various ports on the south side of the Great Lakes."

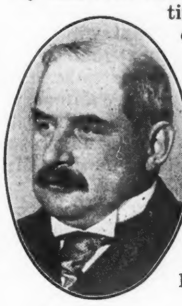
The Struggle for Lehigh Valley

It was apparent that for this purpose the Pennsylvania much preferred the Lehigh Valley to the Lackawanna. Accordingly, the former was the prize for which the opposing interests set out. The Pennsylvania not only wanted it but put the road into its grouping in the Four-System plan.

The New York Central also wanted this valuable anthracite carrier, with an excellent line from New York to Buffalo for the transportation of through freight received and delivered through that gateway.

There was only one way for the opposing interests to try to get control—through the stock market. Efforts to do this, for many months, constituted one of the most vigorously contested battles ever witnessed in Wall Street's long and eventful history. It caused the quotations for Lehigh Valley shares to go up by leaps and bounds and Gen. Atterbury, president of the Pennsylvania, to observe, with tensely drawn countenance, at a private dinner in his honor, "God only knows who has control tonight."

After the battle for the Lehigh Valley had been under way for some little time it became apparent to close observers of market operations, particularly the representatives of the Pennsylvania and New York Central, that some interest other than themselves was buying the stock of that company steadily from day to day.


J. P. Morgan

L. F. Loree on the Scene

L. F. Loree had appeared on the scene with respect to consolidation of railroads in the Eastern District, seemingly more or less as a "free lance" or even as a "pirate." The board of governors of the Delaware & Hudson, of which he is president, had recommended to their stockholders the acquisition of stock control and the leasing of the Buffalo, Rochester & Pittsburgh. Mr. Loree had proposed also the building of a line across the state of Pennsylvania. Applications were made to the I. C. C. in due time to do both of these things. The former was turned down because of the failure of Mr. Loree to show how a physical connection would be effected between the Delaware & Hudson and the Buffalo, Rochester & Pittsburgh. The I. C. C. left the gate open, however, for Mr. Loree to make another application in which he would show how this gap was to be closed up. This was done in due time. The plan calls for leasing of 200 miles of line from the Pennsylvania.


Howard Elliott

The proposed line across the state of Pennsylvania never was taken very seriously by any one at all familiar with the situation. Probably it would be safe to include in this assertion the I. C. C., and even Mr. Loree himself. This scheme may easily have been a barrage set up by the president of the Delaware & Hudson to cover what he was really

up to,—apparently the forming of a fifth system for the Eastern District, to be made up of roads that he controlled, and also to secure the support and co-operation of the Pennsylvania.

At any rate, the building of the new line across the state of Pennsylvania was vigorously opposed at the time by the Pennsylvania Railroad, Baltimore & Ohio and New York Central. Figures were presented to show that the construction cost per mile would be prohibitive if its sponsors ever expected to earn a reasonable return upon the investment. Little or nothing has been heard about this project in recent months and in railroad circles the belief prevails that already it has died a natural death.

Again a Vital Subject With the vacation season over, the whole question of railroad consolidation is becoming more active again. Conferences are being resumed with respect to the various plans that have been underway, in one stage or another, for a long time. All of them appear to be far from going into effect.

The most interesting situation still is represented by The Battle of the East. In order to decide whether this "battle" has been won, and if so, by whom, one must know who has control of Lehigh Valley.

While no official statement has been obtainable, and while none is likely to be made in the near future, it is admitted, even by the opponents of L. F. Loree in this undertaking, that he and his associates, whoever they may be, have virtual control through the ownership of about 40% of the outstanding stock—and perhaps more.

Now that he has it, what will he do with it? That is the question uppermost in the minds of his opponents. Perhaps even he and his associates have not decided.

It is generally believed in railroad circles, however, that they will attempt to form a fifth system for the Eastern District, and that would be made up, to start with, at least, of the Delaware & Hudson, of which Mr. Loree is president, the Lehigh Valley, and the Wabash. It is conceded that, in addition to having won practical control of the Lehigh Valley from the Pennsylvania and the New York Central, he "has bought heavily into the Wabash." It is interesting and significant to note in passing that Kuhn, Loeb & Co. are the bankers for both the Delaware & Hudson and Wabash and that some years ago, at their suggestion, W. H. Williams went into the former company as vice-president and later into the Wabash as chairman of the board.

The next important question is, "Will the proposed formation of a fifth system end The Battle of the East?"

A prominent railway executive who has taken an active part in all the negotiations growing out of this "battle," is of the opinion that any such undertaking will cause it to be waged more vigorously, if not bitterly, than ever. He indicated recently that there is no probability of the New York Central, Baltimore & Ohio and Nickel Plate agreeing to such a plan. The whole situation, he suggested, has been further complicated by the Pennsylvania's demand for the "neutralization" of the Reading and Jersey Central, and the allocation to the Pennsylvania of other lines that virtually would constitute still another system—the sixth, counting Mr. Loree's.

It will be recalled that in the early part of this article it was shown that representatives of the Eastern Lines turned down the I. C. C. plan for the Eastern District, because they were of the opinion that the 8 or 9 systems for which it called were too many and would prove too unwieldy.

Now, if the ideas of Mr. Loree and the Pennsylvania were to be carried out, there would virtually be 6 systems, or only two less than in the I. C. C. grouping, for in all that the representatives of the Eastern Lines have done, they have taken no account of the New England roads.

It has been reported recently that a conference would soon be called of representatives of the Eastern Lines, ostensibly at least, with a view to harmonizing their seemingly irreconcilable differences. Those who are best informed believe that such a gathering will only mark the renewal of hostilities, unless there is a pronounced change of front on the part of the opposing forces.

A Joining of Forces The most clearly defined and recent development in the whole situation is that the Pennsylvania and Mr. Loree and his associates have joined forces. The Pennsylvania has virtually let this go out officially. That road's representatives have let it be known also that they look with favor on his plan for a fifth system and have gone on record as maintaining that in future negotiations this undertaking must be given careful consideration by the New York Central, Baltimore & Ohio and Nickel Plate. In some railroad and banking cir-

Contesting Roads in Three Important Sec

The Battle of the East

Pivotal Roads in the Contest

	Rating
Lehigh Valley (106)	B
Delaware, Lackawanna (134)	C
Wheeling & Lake Erie (78)	C
Pittsburgh & West Virginia (150)	B
Western Maryland (64)	C
Wabash (71)	B

Other Roads in Eastern Group

	Rating
Pennsylvania (67)	A
Norfolk & Western (187)	A
Chicago & Eastern Illinois (44)	B
Buffalo & Susquehanna (52)	C
Delaware & Hudson (208)	A
Lehigh & Hudson River (105)	C
New York Central (168)	A
Michigan Central (1001)	—
Big Four (300)	—
Pittsburgh & Lake Erie (169)	A
Buffalo, Rochester & Pittsburgh (93)	B
Ontario & Western (41)	A
Baltimore & Ohio (121)	A
Reading (117)	A
Jersey Central (320)	A
Chicago, Indianapolis & Louisville (139)	—
Detroit & Mackinac (47)	C
Nickel Plate (132)	A
Chesapeake & Ohio (197)	A
Hocking Valley (370)	—

EXPLANATION OF RATINGS

A—Good possibilities for higher prices.
B—Moderate possibilities for higher prices.
C—Too uncertain to warrant opinion.
NOTE: Only active stocks rated.

cles it is doubted that Mr. Loree and his associates were ever very far apart from the Pennsylvania.

But there are numerous side battles within The Battle of the East.

The Van Sweringens never have been able to put through the ambitious Nickel Plate System that they proposed several years ago. They were defeated with regard to this plan by a formidable Chesapeake & Ohio stockholders' minority and by the I. C. C.

They now have a plan on the laps of that august and all-powerful body for the Chesapeake & Ohio to issue about $60,000,000 additional common stock, with which to buy large blocks of Erie and Pere Marquette that they and their bankers have carried for some time. This scheme for intercompany ownership of the stocks involved in the original Nickel Plate plan is being bitterly contested by the same Chesapeake & Ohio minority. Exhaustive briefs have been filed by both sides indicating that neither intends to yield. A decision by the I. C. C. is not expected earlier than November.

If it is adverse, will the Van Sweringens be able to have any sort of a Nickel Plate system with which to maintain their position in The Battle of the East?

The New York Central has had a plan before the I. C. C. for many months for taking over the Michigan Central and Big Four and the latter several smaller lines. C. H. Venner, with a few shares of Michigan Central stock, and one or more other small minority interests in the Michigan Central, have been able to hold up that part of the plan. A formidable Big Four minority group has done the same through court proceedings with respect to that phase of the deal. To make matters worse, an I. C. C. examiner has filed a report with that body recommending that the whole application be disapproved, chiefly on the grounds that it does not provide for short lines and minorities. The New York Central has asked the I. C. C. to reopen the case that it may make proposals relative to short lines.

Still another of the numerous minor battles with regard to control of the eastern situation that have been on for some time is the struggle between the New York Central, Baltimore & Ohio and Nickel Plate on the one side and Frank E. Taplin, chairman and president of the Pittsburgh & West Virginia, who with his associates are supposed to be in control of that property on the other, as to who shall dominate the affairs of the Wheeling & Lake Erie and be represented on its board. The proposed three company control of the Wheeling and the Baltimore & Ohio's control of the Western Maryland never have been approved by the I. C. C.

Northwest Situation

The Battle of the Northwest is likely to get under way actively sooner than any of the other engagements for railroad control to which attention has been directed in this article. Recently prolonged conferences of railway executives and attorneys have been held in New York in preparation for the first real skirmish before the I. C. C., which will start in Minneapolis on October 24, in the shape of a hearing before an examiner of that body.

This gigantic struggle represents an effort on the part of three multi-millionaire sons to do what their fathers—and others, practically all financial giants—failed to do more than 26 years ago. The sons are the present J. P. Morgan, Louis W. Hill and Arthur Curtiss James. Their fathers were J. P. Morgan the elder, James J. Hill, "The Empire Builder of the Northwest," and D. Willis James, one of Mr. Hill's principal financial backers in all his great railroad undertakings.

He and his associates, early in 1901, undertook to consolidate the Northern Pacific, Great Northern and Burlington, through the medium of the famous Northern Securities Co. This undertaking, the biggest of its kind up to that time, was the outgrowth of the ever-to-be-remembered fight through the stock market between E. H. Harriman and Kuhn, Loeb & Co. on the one side and James J. Hill and J. P. Morgan, the elder, and his firm on the other, first for control of the Burlington and then of the Northern Pacific. All this resulted in a "corner" in Northern Pacific that brought on the May 9th panic in which millions were made and lost in a few minutes.

The present undertaking calls for the unification of the Northern Pacific, Great Northern and Spokane, Portland & Seattle, which is owned jointly by the other two companies, and indirectly, the Burlington. It is proposed to do this through the formation of a new company which will give its shares on an equal basis for those of the Northern Pacific and the Great Northern.

Inasmuch as the Northern Pacific and Great Northern have owned jointly practically all the stock of the Burlington for more than a quarter of a century and the three roads have been operated in harmony one with the other,

(*Please turn to page* 1073)

tions and How Their Stocks are Rated

	Rating
Erie (62)	B
Pere Marquette (134)	A

Battle of the Southwest

Pivotal Roads in the Contest

Kansas City Southern (66)	C
Missouri-Kansas-Texas (46)	B
St. Louis Southwestern (83)	A

Indirectly Involved as Opponents of Loree Plan

Missouri Pacific (55)	A
International Great Northern†	None outstanding
New Orleans, Texas & Mexico (145)	B
Texas & Pacific (96)	B
St. Louis San Francisco (114)	B
Rock Island (109)	B

Numerous small roads in the Southwest

Battle of the Northwest

Pivotal Roads in Northwestern Plan

	Rating
Northern Pacific (96)	A
Great Northern (103)	A
Spokane, Portland & Seattle‡	None outstanding
Burlington (indirectly) (250)	B Practically none outstanding

Involved as Opponents to Northern Companies Plan

St. Paul (18)	A For very long pull C for near term
Union Pacific (191)	A
Chicago & Northwestern (probably) (96)	A
Minneapolis & St. Louis (3)	C

Various other small roads.

† Almost wholly owned by Missouri Pacific.
‡ Owned jointly by Great Northern and Northern Pacific.

Foreign Trade Experts See No Cause For Alarm in French Tariff Threats

Exclusive Reports Obtained from Authentic Sources in Paris Tell Different Story Than Newspaper Correspondents

Secured in a Recent Trip Abroad by C. G. WYCKOFF
Publisher of The Magazine of Wall Street

DURING the past few weeks the foreign correspondents of American newspapers have been sending "colorful" dispatches of a new alignment of Europe against the United States, with the suggestion of a bitter trade war in the background. As the more spectacular of these articles would have it, there looms up the threat of a "United States of Europe"—an economic unity bound together with "favored nation" treaties, about to make an aggressive attack on the foreign trade of the United States.

The front page "news" of the present tariff negotiations between the United States and France having been dressed up in its most intriguing "trade war" costume has excited the interest of both the layman and the manufacturer of export goods. Even though it be the "sanguine dream" that American trade experts call it, the idea of a United States of Europe, presenting a solid front of trade hostility against their prosperous rival, Uncle Sam, is a conception with which thoughtful Americans should at least familiarize themselves.

Discrimination Against American Products

The focal point of the whole subject is the recent revision of French tariff duties in a manner that frankly discriminates against American manufacturers selling in French markets. This discrimination occurs through the nonexistence of a commercial treaty between this country and France—although such an agreement is now under negotiation. The threats against our French markets, with some $80,000,000 imports per annum subject to duties, however, is merely a phase of bargaining for favors in the Continental manner, according to the calm judgment of our foreign experts.

The story is told in Paris of visitors from the United States who attend sessions of the Chamber of Deputies and stand in the galleries, gasping in honest amazement at the bitter storm raging among the members. Fiery talks in a foreign tongue, excited gestures, tears, wrath, pathos and passion lead the much engaged visitors to believe that they have intruded upon some open disruption of the government. Later they learn that they have just witnessed the routine ratification of an unimportant colonial appointment by the animated body of law-makers.

It would seem that the foreign journalists, innocently or otherwise, have come upon a similar scene of Government tariff bargaining. On the strength of this diplomatic jockeying, the writers are sending home more or less routine trade news which—with deft treatment—arrives here with the flare of such sensational topics as "trade wars and tariff combines." Turning away from adventures on the boulevards of Paris to such drab subjects as a new tariff revision, considerable ingenuity is employed in making news "copy" ring with the battle cry of a trade war on Uncle Sam.

To our experienced, sophisticated tariff experts abroad, however, France's sudden attack on certain lines of American imports is received as a petulent gesture to gain concessions on various luxury goods which France sells in the United States. In the meantime, it is pretty thoroughly understood on both sides that any such end is futile—but European diplomacy has a way of asking for a lot and hoping to obtain a little.

The Facts

Abandoning the sensational, here are the facts behind the current French-American tariff discussions. On September 6th, the new French tariff rates became effective, raising the rates on certain lines of American imports, notably machinery, chemicals, electrical equipment, some textiles and other specialty goods. On these same lines, Germany and England, which enjoy "most favored nation" status with France, are obliged to pay only the minimum rate. The United States and other nations not enjoying "favored nation" status, on the other hand, are required to pay general duties about four times as much as the minimum rate. Under this penalty, American business in Paris cannot compete against Germany and the United States Government has formally protested against such discrimination.

France replies that she would be glad to accord the United States favored nation treatment along the same lines as the French-German trade treaty signed shortly before the new tariff became effective. Germany having made concessions to obtain "favored nation" status under the French custom regulations, the inference is that *France also expects concessions from the United States*—especially by way of relief from high duties now imposed on luxury goods, such as perfumes and lingerie, which hit France manufacturers harder than the producers in other countries. In view of the fact that no concessions can be granted to France, without a change in our tariff laws (involving a stormy session of Congress) the negotiations have come to an impassè with shipments of American goods going into bonded storage until some relief from this delicate predicament can be afforded.

The American tariff laws give equal rates to all countries. There are no maximum and minimum rates of duties. In effect every nation receives "most favored nation" treatment, because Sections 315 and 317 of the law provides penalties over this universal, or as our diplomats say "minimum," rate, in the event that American goods are discriminated against in the tariffs of other nations. So far, it has not been necessary to enforce these penalties. Instead, the United States has con-

firmed a "favored nation" status by treaty with Germany and several other countries and has a number of other similar treaties under negotiation, including the pending one with France that is furnishing all of the journalistic fireworks for the foreign correspondents. For France is knowingly risking penalties under the present tax law should discrimination against American goods continue, in the futile hope of gaining concessions that the United States diplomats are not in a position to grant unless our laws are changed.

While the French Government was laying its diplomatic ground work for the present tariff incident, a personal inquiry into the impending tariff situation was made by the publisher of this publication from authoritative sources in Paris. Certain questions, pertinent to the current news, submitted at that time and the substance of the reports from this source appear below. It is the special good fortune of THE MAGAZINE OF WALL STREET in view of the current interest to be able to furnish its readers this exclusive first-hand data.

Calculations of Government experts in Washington made since publication of the new French tariff rates indicate that only about $10,000,000 of American goods are affected by the discriminatory terms. On the other hand, should retaliation be resorted to here, French goods involving about $65,000,000 a year and largely in the luxury class would be affected. These figures, together with the following reports published exclusively in this publication, bring the very important and interesting facts behind the present discussions of French tariff up to the minute for our readers.

IS the United States in a Position to Put Pressure on France to Give Most Favored Nation Treatment?

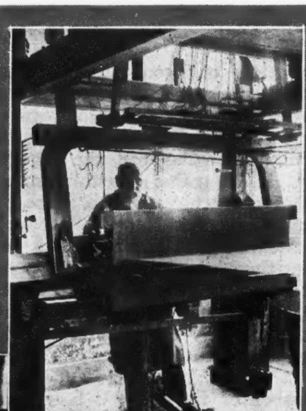
The use of clauses 315 to 317 of the tariff now in force would permit raising the duties on all French imports into United States. Since French imports into the United States are with the exception of a small percentage manufactured goods, while American exports to France are with the exception of about 25 per cent raw materials, the United States is in a strong position to put this retaliatory provision of the tariff into effect, if an agreement cannot be amicably arrived at.

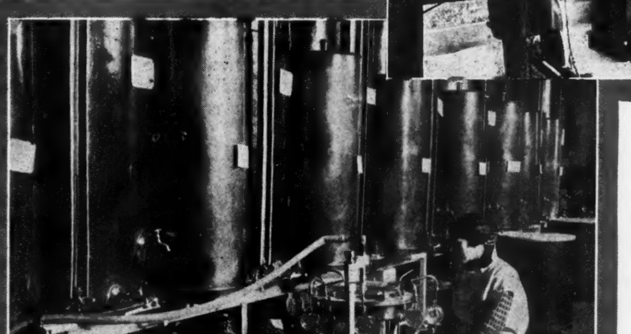
A tariff war would be one in which the United States would suffer less than France. For example, the United States could raise the tariff rates on French lingerie and other de luxe goods and very seriously hurt French business, while France could not hurt more than 25 per cent of our imports if she undertook to retaliate, for retaliatory rates on American raw materials would be inacceptable to French industry, and only 25 per cent of our exports to France are in manufactured goods. Under such conditions, therefore, the United States is in a strong position to force the hand of France if necessary to get fair trade terms.

WHAT Retaliation Against French Customs Rate Increases Is Open to the United States?

The American tariff in clauses 315 to 317 contains provisions which allows the President to raise the duties on goods coming from any country which discriminates against American goods. At present France, on a large number of articles when the goods come from the United States, charges rates greater than those charged when the goods come from other countries. The President could, if he found such discrimination was within the terms of the law, raise the rates on any imports from France by 50 per cent.

The rates on French luxury articles, such as lingerie, imported dresses, etc., run from 60 to 80 per cent, and in some cases to higher percentages. Raising these rates another 50 per cent would seriously limit French exports to the United States. Furthermore, these are the lines in which labor constitutes the greatest element of value, and the ones in which French interests would be most intimately affected if retaliation of this sort were undertaken. There seems every reason to believe that the pressure which could be brought on France through the use of these provisions would be sufficient to eliminate any discrimination in the tariff, and that reasonable adjustment could be forced from France by their use.





French Luxury Industries would probably be hardest hit in event of a tariff war. At right, weaving silk in Lyons. Much of the weaving here is done in homes, for so much per yard, as in the time of the Guilds.

Below, filling bottles with fine perfumes for milady's toilette. Molinard-Jeun Perfumery at Grasse, France.

© Ewing Galloway, N. Y.

WILL the Use or Threat to Use These Powers Cause Ill-feeling in France?

The answer to this question is in the affirmative. However, any commercial agreement is one in which neither party is likely to get all it would like. Friendly nations do not always find it easy to make satisfactory commercial treaties, nor do unfriendly nations find it always impossible. There must be a "give and take."

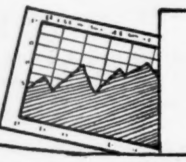
Germany for a period of almost two years had been negotiating for a commercial convention with France. The conclusion of the agreement has been made difficult because of the financial difficulties in France which make the basis of any tariff uncertain. It has, however, been agreed that the basis of the agreement shall be most favored nation treatment *de jure* for all French goods going into Germany and most favored nation treatment defacto for all exports of goods from Germany to France in which Germany declares herself interested. In other words, Germany, by a firm insistence on every advantage which she can get in return for her minimum tariffs, is elminating any French discrimination against her. She is not popular for it, but she gets it. The use of pressure by the

(*Please turn to page* 1076)

new elements in the technique of market diagnosis

a series of six articles

by the Magazine of Wall Street's market expert



First Article
The Market as a Group of Markets

Editor's Note: This series of articles deals with the fundamentals involving the newer technique of security price forecasting. During the past decade there have been revolutionary changes in the type of influences on security prices. Older ideas have patently become antiquated. In this shifting market scene, it is imperative that the science of security price forecasting be adjusted to conform with modern conditions. The observations of the author run over a number of years and it is his intention to provide the reader with the results of his investigations into fundamental changes in the character of the market. The series is composed of six distinct sections which will be published in alternate issues of THE MAGAZINE OF WALL STREET, *commencing with this one. It is hoped that the articles will promote discussion among our subscribers and that they will be sufficiently interested to submit their reactions through letter. Whenever space permits and contributions are interesting we trust to publish some of these letters.*

DURING the past generation, our conception of the character of the securities markets and the conditions under which they operate, have changed in a number of important respects. Due to the phenomenal increase in American prosperity, especially since the war, the growth of surplus capital and the rapid expansion of public interest in investments have so greatly enlarged the scope of the leading exchanges, particularly the New York Stock Exchange, that they can hardly be said to bear much resemblance to those existing at the beginning of the century.

Taking the New York Stock Exchange as the most representative, we find, for example, that at the beginning of the twentieth century there were only 377 separate stock and 839 bond issues listed comparing with 1,069 and 1,465 respectively as of June 1, 1927. Thus, in a period of about twenty-seven years, the number of listed stock issues on the New York Stock Exchange has almost tripled. At the same time, the number of stock listings on other important exchanges has also materially increased. This, of course, is a natural reflection of the growth in the number of our business enterprises and industries. In the past generation, the essential economic trend in this country has been toward industry and somewhat away from agriculture. During this period, the greatest growth of American industry has occurred, a development greatly stimulated by the war and reflected in marked degree in both the number and variety of corporations whose securities have been made available to the public.

Re-Groupings Not only have there been regular additions to the new listings of companies in established industries, but the birth of new industries, some of them entirely undreamed of even so recently as a decade ago, has contributed in greatly adding to the list of available securities. The year book of the New York Stock Exchange, as of May 1, 1927, lists eight great groups of securities as follows:

Railway	Material manufacturing
Finance	Mining
Commerce	Public utility
Machinery manufacturing	Miscellaneous

This collection of great groups, however, covers no less than forty-three separate sub-divisions. These are as follows:

Railway	Printing
Miscellaneous finance	Textile
Mail order	Coal, iron, coke
Automobile	Radio
Farm machinery	Bus
Chemical	Express
Leather	Insurance
Paper	Chain store
Sugar	Miscellaneous distributors
Tobacco	Electrical equipment
Telephone	Miscellaneous machine and tool
Telegraph	Garment
Traction	Petroleum
Canal and dock	Steel
Amusements	Tire and rubber
Bank and trust	Copper
Shipping	Miscellaneous metal
Department store	Gas
Automobile accessories	Electric power
Railway equipment	Land and realty
Food	Unclassified
Shoe	

THE MAGAZINE OF WALL STREET'S Common Stock Index published on the fourth page of this article lists thirty-eight separate groups of stocks. These, however, represent only the more easily classified industries. They do not include several hundred separate issues representing companies engaged in miscellaneous types of business which are difficult to classify.

In the two groups listed by the Stock Exchange as machinery and material manufacturing, for example, there were at the end of last May, 555 separate stocks, 178 *more than in the entire list of stocks represented on the Stock Exchange in* 1900. These two groups include twenty separate subdivisions. But this classification is too simple. For example, the members of each of these twenty groups are not all occupied in precisely the same types of business. In some cases, there is a great deal of over-lapping, with

companies engaged in two, three or more correlated and, sometimes, uncorrelated branches of industry. Thus, several companies in the railway equipment field are also interested in the manufacture of certain types of automobile accessories. Furthermore a number of companies engaged in a distinct line of industry, in order to find some use for their excessive plant capacity, have entered new types of business. Though nominally classed under a specific industry, they may in reality represent several industries. Additionally, numerous companies with enormous amounts of capital available for investment have found use for them not in building extra plants or enlarging other phases of their business but in buying the securities of other equally prosperous companies and which are sometimes in entirely different fields.

> *There is no longer a single stock market in the older sense of the term. Rather, it has become a collection of a great number of individual markets moving independently of one another and subject to conditions which are peculiar to themselves.*

Thus, *Allied Chemical* is, strictly speaking, a manufacturer of chemicals but is also in part an investment trust since it holds large quantities of United States Steel shares. Again, *du Pont,* also a chemical manufacturer, is not only engaged in a different type of chemical manufacturing from Allied Chemical but is an investment trust to an even greater degree than the latter, in view of its enormous holdings of General Motors, which in itself represents a participation in many different industries, and in United States Steel.

Shall du Pont then be classed as a chemical corporation?

Difficult to Classify

These extremely diverse elements obviously make classification of individual companies an extremely complicated affair. Of course, there are simple cases; thus chain stores, department stores, shoe manufacturers and many others. Nevertheless, the growing tendency of American industry to spread out and for American companies to expand their interests has had the effect of making the task of classifying representative corporations more and more difficult.

To a certain extent, therefore, the existing terminology for group classifications, such as railway equipment, chemical, paper, tobacco, etc., for example, should be qualified. Taking these groups as illustrations, we find that certain railway equipment companies not only may be divided as to locomotive, freight car and miscellaneous equipment but that in several cases they are engaged in other lines of business.

As stated above, the two most prominent chemical companies are in part investment trusts. But other chemicals are in the fertilizer manufacturing business; others are related to the perfumery business.

> *The fundamentally changed character of stock market movements is essentially a benefit to investors since the growing independence of stock movements gives assurance that where a selection is soundly based it will produce good results, regardless of the price direction of the group to which it belongs.*

Among the paper companies, we find a great deal of diversity. Thus, some manufacture newsprint exclusively, others boxes and wrapping paper. Two of the leading newsprint manufacturers are in large part interested in water power development, thus bringing them into the public utility field.

Among the tobaccos, some manufacture cigars, others cigarettes, still others are mainly engaged in the distributing end of the business.

Similar extreme complexity prevails in many other security groups. Among the steels, some manufacture a diversified line of products, others are principally engaged in pig iron production, others specialize in particular lines. Among the metals, we find some ostensibly coppers but which, in reality, belong more in the silver field; others are mainly trading or selling companies; others do a little of both but devote themselves principally to smelting. Among the petroleum companies, some are mainly producers, others mainly refiners, still others mainly carriers (pipe lines); some are both producers and refiners, and, also, distribute their products on a large scale.

But the railroads offer perhaps the most interesting field of study in this respect. Though all are engaged in the one business of transportation, the various groups of carriers differ very widely among themselves as to character of products transported. Some are principally grain cariers, others are largely dependent on soft coal movements, others on hard coal. Local conditions under which many railroads operate vary so widely as to cause a great deal of confusion as to points of identity and dissimilarity between the carriers.

Conditions Differ

Thus, we find that not only is the stock market divided into several great groups and that these groups in turn are divided into several score subdivisions but that the component members of the subdivisions may vary greatly from one another. Owing to these sometimes extremely complicated differentiations, it is obvious that the sets of conditions which influence security prices in individual cases have increased along with the increase in both number and type of listed stocks.

This will explain the reasons for the increasing independence of stock movements. Each company in itself, under modern conditions, regardless in a broader sense of the group to which it nominally belongs, offers a separate problem to the investor. In former days when both the aggregate number of listed issues and groups were small and when, to a larger degree than prevails at present, companies in the same group were more or less influenced by the same conditions, it was natural to expect that if the entire market did not move more or less as a unit at least the members of the specific groups would do so.

As will be shown, this older characteristic of stock movements is gradually tending to become obscured. Within the limits of this article, it is impossible to offer an analysis of a larger number of typical market groups but several illustrations should suffice.

Two Illustrations

Take the steel group. According to THE MAGAZINE OF WALL STREET'S Common Stock Index, this group, composed of sixteen stocks, shows for 1927 an average high price of 97.3%, an average low of 83.9% and a current average of around 96%, including that the steel group has effected an almost complete recovery from the low price of a few months ago. This would suggest that the greater number of steel stocks has been in an advancing position. Actually nine members of this group are today selling at lower prices than at the beginning of 1927, two are about the same, so that only five of the group scored substantial advances. The great

increase in the market price of these five issues brought up the general average. Without these five stocks, the steel group would have shown a decline since the beginning of the year.

From this can be deduced the tendency of steel shares to work independently and it is obvious from what has been stated there has in reality not been a real group movement in steel shares, but rather that the group has divided itself into two classes, those that advanced and those that declined, with the latter in the majority.

When we examine the reasons for this situation, we find that each company in the steel group, though nominally belonging to this group, was beset by conditions which to an important extent were not found in other companies. In some cases in fact, the reasons entering the advances which took place had little relation to trade conditions. Under the circumstances, with each of the sixteen companies in a special position, it was natural that their stocks should have gone their own way, not influenced so much by general conditions as by conditions peculiar to that particular company.

The automobile industry offers another example of this increasing tendency toward independence of the members of the same group of stocks. According to THE MAGAZINE OF WALL STREET'S Common Stock Index, the automobile group, composed of sixteen stocks, shows for 1927 an average high of 78.2%, an average low of 70.1% and current average of 78.2%. According to this showing, the reader might come to the opinion that this group showed comparative stability in a period of excited stock market speculation.

Analysis shows a somewhat different result. Of the fourteen more prominent members of this group, we find that five scored substantial advances since the beginning of the year, six declined and three were practically unchanged. Fluctuations were very wide in some cases, General Motors, for example, having gained almost 100% since the year's beginning; Chrysler with a gain of almost 50% and Nash about 45%. Declines varied from almost 50% in the case of Dodge, 35% in the case of White and 25% in Willys-Overland to a nominal loss in the case of Jordan.

As in the case of the steels, there were practically two groups of motor shares, those that advanced during the year and those that declined. Individual situations among the various companies were responsible for the market effects just outlined so that again we have an instance of an important market group which can hardly be said to have moved as a group but rather as a collection of independent or semi-independent component issues.

Similarly tendencies toward diverging stock movements in specific groups will be found by any student who cares to analyze their market movements.

Growing Independence of Stocks

It is clear from the two examples given above, that there is less of a tendency for members of the same group of stocks to move in the same direction than is commonly imagined. Under these circumstances, the reader will naturally come to the conclusion that if members of the same group of stocks move in different directions, it would be impossible to expect the entire aggregate of listed stocks to move in the same direction. In this assumption, he would be entirely right. Let us take a period in the market which came about as close as any in the past year toward bringing about a uniform market picture. This is the week of September 12-16, leaving out the Saturday morning session. During this week, there was a tremendous speculation for the rise with sentiment generally highly bullish. The N. Y. *Times* average of 50 stocks shows a gain from the low on Monday of 177.37 to a high on Friday of 183.83, thus indicating a general market advance. However, this is what we find:

Monday, September 12

Number of stocks traded in	611
Number of stocks unchanged	97
Number of stocks advanced	202
Number of stocks declined	312

Tuesday, September 13

Number of stocks traded in	621
Number of stocks unchanged	100
Number of stocks advanced	378
Number of stocks declined	143

Wednesday, September 14

Number of stocks traded in	647
Number of stocks unchanged	113
Number of stocks advanced	283
Number of stocks declined	251

Thursday, September 15

Number of stocks traded in	635
Number of stocks unchanged	116
Number of stocks advanced	229
Number of stocks declined	290

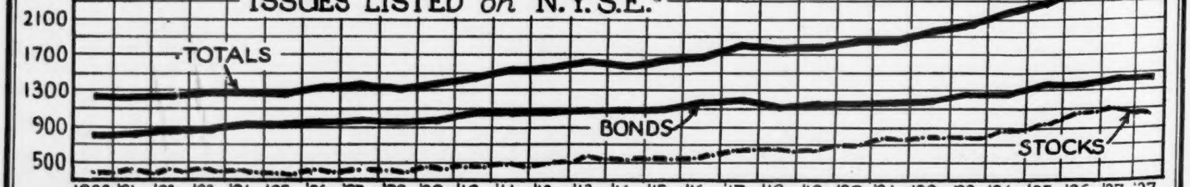
Friday, September 16

Number of stocks traded in	655
Number of stocks unchanged	101
Number of stocks advanced	266
Number of stocks declined	288

This record is typical of New York Stock Exchange transactions. On each of these five days, the newspapers commented on the strong upward rush of stocks leaving the impression on the minds of readers that the *entire* market had advanced. Actually, there was only one day in this apparently strong market in which there were more rising stocks than the combined groups of those which either declined or stood still.

Palpably, the stock market is not only less of a single entity than it has ever been, but shows a definite characteristic of becoming more and more divided into separate groups, subdivided again so that these smaller groupings are becoming less significant. The thoroughly significant development is the greatly increased tendency of individual stocks to break away from the groups to which they nominally belong and to move mainly in accord with the specific position and outlook of their companies. This has had the result of breaking the market up into many small markets, largely independent of one another.

Probably the only exception to this situation has been the almost uniformly downward trend of the oil stocks in



1927. Here, however, the general conditions facing the entire industry were so powerful in their effect that hardly any company has been able to escape. We may put it this way: when a given industry is surrounded by generally favorable conditions, these conditions may not be strong enough to favorably effect the smaller companies so that the already prosperous companies reap the major benefits of any generally favorable situation. But if an industry is affected by a fundamentally unfavorable set of conditions, it is not likely that more than a small number of the companies representing this industry can escape. In other words, about the only time a protracted general movement of a given security group in one direction may be expected is when the conditions surrounding that industry are thoroughly bad, in which case practically all the stocks of that group will decline. If the general conditions are favorable the stocks of those companies in a special position to benefit will advance, whereas, as shown in the previous analysis of the motor and steel shares, a large number will either stand still or decline, owing to peculiar situations affecting the individual companies.

It follows then, that if an industry is in a strong or at least fair condition, it is necessary for the investor to go further in his analysis and ascertain the position of the company in which he proposes to make an investment. If the position of an industry, as with the oils, promises to be genuinely weak, no investment should be made as under ordinary circumstances the entire group will probably decline. Of course, after the group has more or less discounted the situation, a more hopeful view of stock possibilities may be taken.

Other Influences We have spoken of the greatly increased diversity of industries and companies represented on the New York Stock Exchange—and other Exchanges. This has been one of the fundamental developments which have broken the stock market up into a group of many small groups—or markets.

There is another influence which has contributed to the independence of stock movements. That is the sharp differentiation between the market interests of specific localities. Thus, the South to a large extent is interested in securities of businesses which are largely dependent on the South for their businesses. New England, as is natural, is interested in textile and shoe securities and others of New England origin. The middle West follows automobile, tire, accessory and steel stocks. The Pacific Coast is interested in securities originating in that part of the country. Of course, each of these sections—and others not enumerated here—are interested also in securities originating in other parts of the country, but, gen-

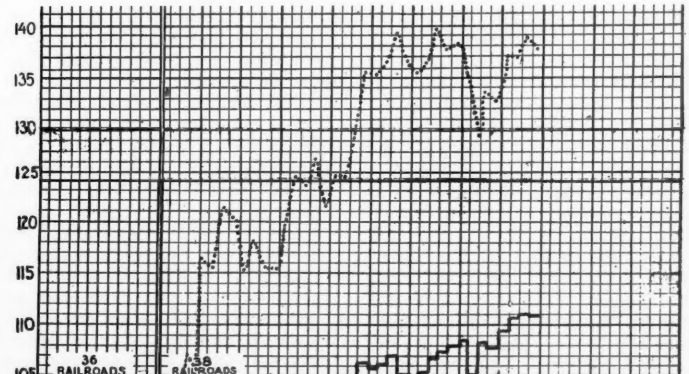
(*Please turn to page* 1050)

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low	Recent Indexes Sept. 17	Recent Indexes Sept. 24	1926 Indexes (238 Issues) Close	1926 Indexes (238 Issues) High	1926 Indexes (238 Issues) Low
264	COMBINED AVERAGE	111.0	95.7	111.0H	110.9	95.7	102.0	83.1
38	Railroads	139.6	98.5	138.9	137.8	98.5	102.2	84.3
4	Agricultural Equipment	94.8	63.4	92.8	94.8h	69.8	111.9	61.8
2	Alcohol	147.2	82.1	132.7	147.2H	83.6	103.2	56.6
12	Automobile Accessories	91.9	87.6	91.9	87.6	81.0	104.4	78.0
16	Automobiles	78.2	70.1-	78.0	77.2	76.4	104.0	66.7
3	Baking	83.6	63.0	83.1	81.7	82.0	108.6	69.2
3	Business Equipment	160.2	108.5	158.2	154.6	108.5	109.3	82.2
5	Chemicals & Dyes	138.2	107.3	138.2H	136.1	107.3	115.5	92.0
9	Construction & Bldg. Material	90.5	77.9	88.9	86.3	84.4	101.4	71.0
3	Containers	111.4	93.5	110.2	109.8	100.1	110.8	85.7
10	Copper	133.7	105.9	132.7	133.7H	118.7	122.8	91.6
2	Dairy Products	80.0	61.0	62.4	62.3	80.0	(Begun 1927)	
4	Department Stores	100.1	70.4	100.1h	97.5	73.7	101.0	67.6
4	Drugs & Toilet Articles......	170.3	147.3	154.9	160.5	152.5	159.1	100.0
7	Electric Apparatus	112.2	91.6	97.4	95.8	96.1	105.2	86.8
8	Foods & Beverages	83.7	72.0	83.7h	83.2	76.9	101.2	72.3
3	Furniture	119.3	89.1	117.0	117.9	91.6	121.0	80.7
2	Leather	121.4	69.8	118.4	121.1	69.8	102.4	68.0
2	Mail Order	114.7	82.8	113.1	114.7H	88.0	101.6	75.0
5	Marine	113.4	74.0	85.4	80.2	79.6	110.8	73.0
2	Meat Packing	74.8	55.1	58.3	62.2	74.4	102.6	69.6
5	Metals	98.7	81.9	96.9	98.7h	81.9	105.7	78.1
7	Miscellaneous	120.3	96.7	116.7	120.3h	100.0	(No record)	
3	Paper & Publishing	183.3	150.4	173.9	171.5	150.4	187.8	75.5
35	Petroleum	103.5	86.9	91.5	93.0	95.3	102.3	85.2
11	Public Utilities	129.7	93.1	124.9	129.7H	96.3	102.0	82.4
1	Radio	151.8	97.2	151.7	151.8H	123.6	139.5	78.8
8	Railroad Equipment	128.4	100.3	126.6	125.8	101.4	103.3	84.8
1	Real Estate	107.4	88.5	102.7	101.5	94.4	102.8	74.3
5	Recreation	120.3	96.3	97.4	99.6	115.2	118.2	98.6
6	Rubber	93.5	64.4	92.2	93.5h	64.4	114.3	59.8
13	Steel	97.3	83.9	96.2	94.0	83.9	100.6	78.8
4	Sugar	112.7	94.2	99.1	98.1	112.0	116.1	92.5
2	Sulphur	327.6	166.1	321.0	327.6H	166.1	170.0	100.0
2	Telephone	125.1	104.6	125.1H	124.3	104.6	105.6	97.3
3	Textiles	107.5	71.9	89.6	89.4	92.5	104.6	57.7
9	Tobacco	163.9	144.8	163.7	161.1	147.8	148.3	94.5
5	Traction	142.4	120.5	121.7	120.5-l	127.5	136.9	94.0

H—New HIGH record since 1925.

h—New HIGH record this year. l—New LOW record this year.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1927 Index includes 264 issues, distributed among 36 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

Which Influences Business Men Most?

FACTS or PSYCHOLOGY

By

PERCY H. JOHNSTON
Pres. Chemical National Bank

EDWARD J. CORNISH
Pres. National Lead Co.

PERCY S. STRAUS
Vice-Pres. R. H. Macy & Co.

JOHN J. HEGEMAN
Pres. Hegeman, Harris & Co.

GEORGE B. CALDWELL
Vice-Pres. U. S. Bond & Mort. Co.

As told to J. M. HEAD

IS the business man of America becoming a slave to charts? Are his actions dictated by the co-called "business cycle," and by the mass of statistical literature which every day is presented to him through compilations by economists, pseudo-economists, statisticians and writers? What do the "curves" that swing in fantastic zigzags across a checkered map mean to him as guides to the future of his own particular business?

Is finance and commerce suffering from "graphitis"?

The graph captures one. It is fascinating. It tells its story so completely, it becomes such a fetich that even though it pictures only what has happened, one's imagination easily may lend itself to the notion that it is just as infallible as a portrayer of the future.

In the racing game there is what is known as "form." The perennial "dopester" will tell you it is the only way "to beat the game." If the "form" says so-and-so, and the particular horse that is the subject of that "form" has won under similar conditions, then he should win again. So the "dopester" plays him in the race. If he wins it is a triumph for form. If he loses the nag didn't run true. The result is no reflection on the "form" method.

Business has its form players no less devoted than racing. To just what extent business has them is hardly susceptible to actual calculation.

It was to find out whether or not there was a large percentage of form players, or chart followers, to be more specific, in the business world, that I sought the opinion of a few prominent men, in various lines of activity who, by reason of their long and successful experiences, should be able to give some sort of a reliable estimate.

The complete question, or series of questions which I asked these men was about as follows:

> Are business men of today governed more by psychology than by facts? That is: Do they place any great faith in the alleged "business cycle"; are their own activities controlled by the stock market trend, by the money rate, by the car loadings, by the bank clearings and other indices of recent trade conditions, or: Is their judgment guided by their own current experience and that of their men who are in daily contact with actual business as it comes and goes?

By P. H. Johnston, Pres. Chemical National Bank

Percy H. Johnston, president of the Chemical National Bank of New York, is a man well fitted to answer the main interrogatory as well as its subordinate questions. Mr. Johnston does not believe in the business cycle as an actuality. In fact he scoffs at it.

"Except in imagination there is no such thing," he emphatically declared. "The sooner the people of this country get over the notion that a period of prosperity, by reason of some sort of natural rule of economics must be followed by a period of depression, the better it will be for business. The 'business cycle' is purely psychological. But because this is so, it does not mean that it cannot affect business. That is exactly what it does. It hurts business; it creates panics—and all panics are psychologically made.

"Few things are absolute certainties in this world. But there is one thing that stands true: Since Elijah there has been no authentic prophet. Therefore, no man can read from a set of figures, a series of charts, or anything else, and tell what is going to happen in business.

"We may dismiss the business cycle, in my opinion, as being only a mental conception—having no basis in fact or logic. But other things, such as rediscount rates, the stock exchange trend, car loadings, crop reports—these are all indications and the business man must and does give heed to them—if he doesn't he is not a good business man.

"But I believe that even more than this attention to and faith in statistics, the average business man depends upon his own daily contact with what he sees, what he hears, and what those who are associated with him reveal. There are so many different factors that are the subject of statistical calculation and compilation that the business man could not possibly consider them all. He could not even read all that is printed let alone digest it.

"All records of past happenings in business are *indications* of what may happen in the future—just indications. As actual precursors they cannot be relied upon. They are as likely to be wrong as they are to be right. And the business man knows this.

"This is not to depreciate the value of statistics nor even to condemn the mental reactions which ensue. It is merely to say that while they have their place—a most important place—they are not to be the sole, nor even the most important bases for a business man's action. And I do not believe they are. He must largely work out his own success or failure through his own experiences, through facts as they are thrown at him or as he gathers them.

By Percy S. Straus, Vice-Pres. R. H. Macy & Co., Inc.

The retailer's point of view is expressed by Percy S. Straus, vice-president of R. H. Macy & Co., Inc., one of the world's largest department stores. He deprecates the idea of business men being *controlled* by charts.

"The man who regulates his business

action by what the charts or curves tell him is likely to come to grief," said Mr. Straus. "Psychology is not always exact. Just as we cannot fully determine, from the various psychological tests, just what a given subject of these tests is capable of doing, so we cannot figure the future of any market or business entirely from charts which show the past trend and are intended to be used as indicators of the future.

"We have an economist constantly at work in our organization, studying business conditions, the various indices in finance and commerce—doing, in fact the work which we used to do individually, when we were smaller and we had the time to devote to the work. At least once a month we have a meeting at which we discuss these things and the economist's findings. The conclusions reached at these meetings, together with the knowledge which we have from our own experiences, are used to guide us—especially our buyers, for purchases or future commitments for goods.

"There is no set business cycle in my opinion. Certainly there are fluctuations. There are peaks and valleys in general business just as we have them in our individual business. But to say that there is a recurrent swing, in a given period of time, to industry in general, is to call a theory an established economic law. The theory has been upset, the law, so-called, dislocated in recent years, chiefly, I think, by our changed banking system.

"We don't have money panics. We have industrial depressions at times, more or less severe, but the old time money panic seems to have vanished.

"There has been in our store a change in what once seemed an established and immutable fact. Monday used to be our biggest day—now our largest sales are made on Saturday. I have no theory to account for this, nor have I any assurance that this condition will continue forever.

"There are so many cross currents in business, so many things which may determine the future of a particular business, that general theories must be applied with caution. We hear something now of a dip in the business curve. We have not felt it. This is only one exception; when there are many exceptions to a supposed economic law its validity must be questioned.

"We shall continue to use every means available to help us read the future, but, after all, we must rely principally on our own close contact with business to enable us to act with reasonable accuracy.

By E. J. Cornish, Pres. National Lead Co.

Industry does not judge the future by the past. It takes heed of the past, gathers knowledge from what has happened, views the charts, studies the statistics and respects the statisticians who compile them—then turns an introspective eye to its own particular business and its current experiences, and acts accordingly.

Such, at least, is the opinion of Edward J. Cornish, president of the National Lead Company, probably the largest manufacturer of white lead and of lead products in the world.

"I should be ashamed of myself and of the National Lead Company," said Mr. Cornish, "if we did not at all times avail ourselves of all the media of information which are to be obtained; if we did not study the bank clearings, the money rates, the stock market, the weekly car loadings, the price index figures, and all the other information compiled by statisticians and economists with a view to helping business, know where it stands and upon what to base its future activities.

"At the same time I would not have our decisions as to the future action of our own business depend on these things alone. I should be equally ashamed of our company if it relied solely on these indices. We have our own experiences. We have our own men constantly in touch with business, our correspondents in Argentina, in India, in every section of the globe, constantly studying conditions.

"I may say, therefore, that our judgment as to the future is founded on all the information, theoretical and actual, which we can secure.

To my question as to whether or not he considered the action of the stock market indicative of future business conditions, Mr. Cornish promptly replied:

"If you mean by the stock market the immediate trend of any one stock, or a number of stocks, at any particular time, and the current analyses of the movements by stock brokers or a big speculative operator, I should say that these things should be disregarded. Operative pools often affect certain stocks contrary to the general trend. A big operator, having in mind a selling campaign, frequently begins by buying. On the other hand, when he contemplates buying he may start by selling. The reason for these apparently contradictory actions is sufficiently obvious.

"However, if your reference to stock market activities comprehends the action of the real investors, those who place their money for the purpose of producing a return, and who, by the very fact that they have amassed fortunes, have demonstrated through the years that their judgment is to be relied upon, then, I should say that the stock trend has a real, a most important, a vital effect on the future. I should say that the position of such men in the market goes far towards determining what is going to happen.

"In my college days I studied political economy and I still have an abiding faith in the laws as laid down by Mill, Spencer and other great economists. There are certain laws that I regard as fundamental. Frequently I may make myself appear ridiculous in the eyes of my associates when conditions at any particular time seem (*Please turn to page* 1044)

Drawing the Crowds

RAILROADS

New Haven Springs a Surprise

Finances Through Convertible Preferred Issue Indicating Effects of Steady Come-back in Recent Years—Prospect for Preferred Issue

BY HOMER GORMLEY

THE story of the New York, New Haven and Hartford Railroad in recent years has been one of a succession of ups and downs. More recently, the road has responded to strenuous efforts toward betterment. Fruition of these results is seen in the current financing of the road through stock, a notable achievement for any railroad these days but particularly so in the case of the New Haven which not so long ago was uncomfortably close to receivership.

AS if to accentuate the splendid recovery in process of being staged by this one-time aristocrat of New England, the New York, New Haven & Hartford Railroad Co. is now numbered among the few roads which in the present era have taken occasion to conduct financing operations through the medium of stock issues. Heretofore, such financing was confined to the more prosperous carriers with dividend records of a character to render their stocks automatically attractive especially when offered at the usual discount from the prevailing market.

There is no recent precedent for such action on the part of a railroad unable to disburse dividends on its common shares. In this case, of course, the procedure involves a preferred stock, as it is quite out of the question to market additional common at the requisite par value minimum pending substantial further improvement in the affairs of the corporation, but even so, for a road bordering on receivership only four years ago, it is an achievement to dispose of securities the permanency of the return on which is in no way compulsory and entirely contingent on satisfactory earnings.

A Double Advantage

For those having implicit confidence in the ability of the road to regain eventually its former status, the new offering is tantamount to a common stock issue, for it carries with it the right of conversion at any time prior to redemption into an equal amount of common shares. It has the double advantage then of providing junior stockholders exercising their subscription rights with a return on their investment pending a possible complete rehabilitation in the future, and at the same time automatically eliminating itself as a prior obligation in the event that such rehabilitation becomes a fact.

A thorn in the side of New Haven for many years has been the notes due the Government now aggregating $70,030,000 entailing interest charges of 6% although the money has long since ceased to cost the Government such a high figure. Concerted efforts were made from time to time to effect a reduction through Congressional action, but while the justice of the request was conceded, nothing has as yet been accomplished to relieve the situation. It was decided, therefore, that the time had arrived to take definite steps in the direction of eliminating these obligations, and the issue of preferred stock was primarily for the purpose of financing the payment of 43 millions maturing in 1930.

Indebtedness to the Government formerly amounted to $91,030,000, but the increasing prosperity of the road rendered these loans so attractive to private interests that 4 millions and more recently another note of 17 millions were transferred to bankers, which, while relieving the Government from tying up its funds any further, was not satisfactory from New Haven's point of view, as it precluded any action on its part in eliminating this portion of the debt prior to maturity. New financing at this time prevents a similar transfer of the 43 millions. When this is taken up with the proceeds of the preferred stock, there will remain $27,030,000 maturing in miscellaneous lots between 1931 and 1935, and it is stipulated that this amount must remain in the hands of the United States Treasury, subject to repayment or reduction during the intervening period at the discretion of the railroad. It is possible that the excess over 43 millions derived from the financing will be employed in this manner.

The question naturally arose as to why it was necessary to raise money involving an interest rate of 7% in order to refund obligations bearing a 6% rate, and as to why the financing could not be accomplished more advantageously by issuing bonds rather than stock on account of the greater security and lower cost of the former. It was felt by some that it would have the effect of postponing the day when dividends could be restored upon the common stock. It is true that it will increase prior charges, but only to a moderate extent as far as the difference in common share earnings is concerned, and there are considerations involved of far greater weight than the exigencies of the moment.

New Haven has reached a point where it must give serious thought to its future financial status if its former position of eminence is to be regained. As in the case of so many roads, the trend of affairs in the railroad world in the past two decades has rendered financing by means other than bonds very difficult with the inevitable result of a top-heavy capital structure. A condition such as existed in New Haven wherein there are two dollars in funded debt for every dollar of stock outstanding is not a healthy one, and the current addition of preferred stock to the capital structure goes a long way in correcting the situation. The ratio of fixed interest obligations to issues upon which the return is discretionary is now reduced from 67%-33% to about 57%-43%, a full 10% in the right direction and only 7% removed from an equal balance.

Further Effects of Financing

Reduction and ultimate elimination of the loans obtained from the Government will have even more far-reaching effects than those so far enumerated. It will release the collateral now pledged for these obligations, partly in the form of securities of subsidiaries, but principally in connection with the

company's own 1st & Refunding bonds, none of which are in the hands of the public. The mortgage bonds available upon payment of the 43 millions can either be cancelled or utilized for future financing designed to retire the balance of the notes still outstanding or some portion of it. Furthermore, there is an arbitrary limit to the amount of 1st & Refunding bonds that can be issued at any one time. Stock financing, accordingly, by releasing some 50 millions under the first and refunding mortgage, leaves that much more for future eventualities and defers the time at which that limit will be reached.

There is still another aspect to the question of acquiring needed funds through the sale of stock. Financing to take care of the remaining notes as well as for other purposes is materially facilitated by strengthening the capital structure. The reduction in fixed interest obligations without incurring new compulsory charges of a like character increases automatically the equities behind the funded debt still outstanding. By building up the credit of the road in this manner, it will be possible to float additional bonds in the future at a lower rate of interest than would be possible otherwise, and the savings thus effected will go a long way in counteracting the somewhat greater disbursements entailed in the substitution of 7% dividends for 6% interest. Thus the company in providing for current requirements is laying a groundwork for the future.

Recent Record Shows Better Results

Quite as interesting, however, as the justification for the preferred stock is the fact that New Haven was able to indulge in this type of financing at all so soon after a period in which receivership was constantly threatened and the refunding of maturities in any manner always presented an acute problem. The causes leading up to the collapse of the road from its former high estate, when the shares ranked as one of the prime common stock investments of the world, are well known and require no extended discussion.

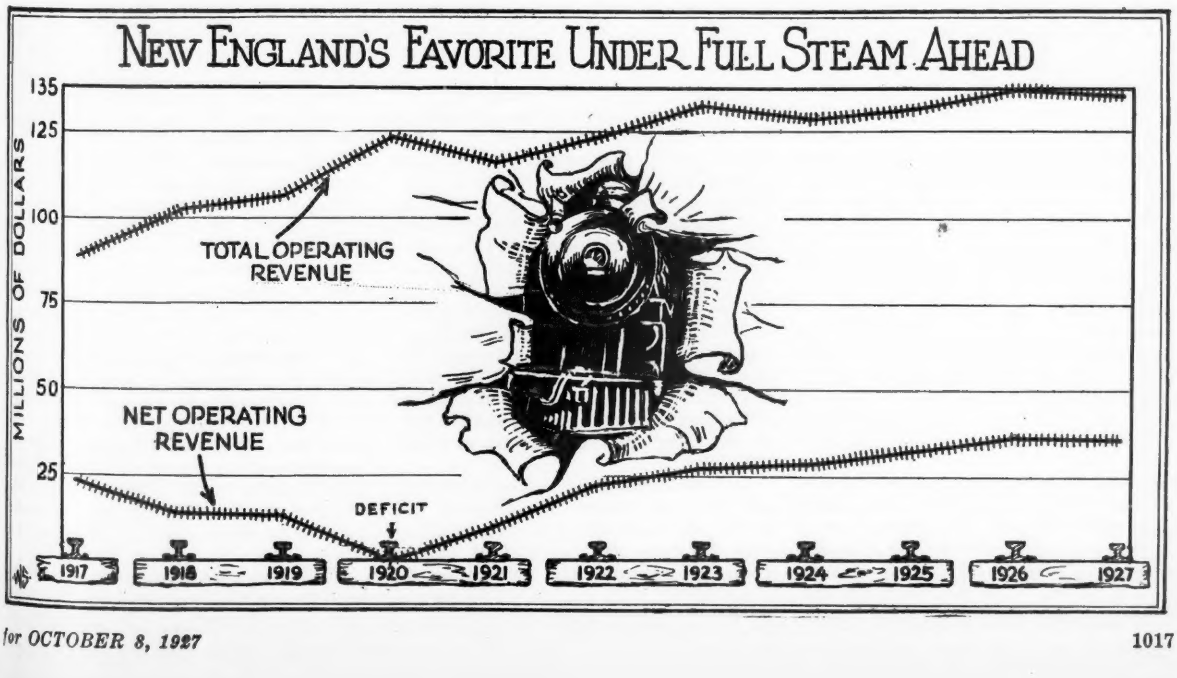
It can be ascribed to a combination of factors, chief among which were the rising trend of prices entailing higher operating costs, increasing cost of nonproductive facilities such as terminals, inability to increase rates proportionately, and the ambitious but, as events proved, injudicious program of the former management in acquiring outside investments on a tremendous scale comprising numerous traction and steamship lines operating in New England, most of which were subsequently liquidated at frightful losses. Inadequate rates were particularly injurious to roads like New Haven with naturally restricted territory, for activities are so concentrated that the heavier overhead must be prorated over a haul much shorter than the average for all the principal carriers.

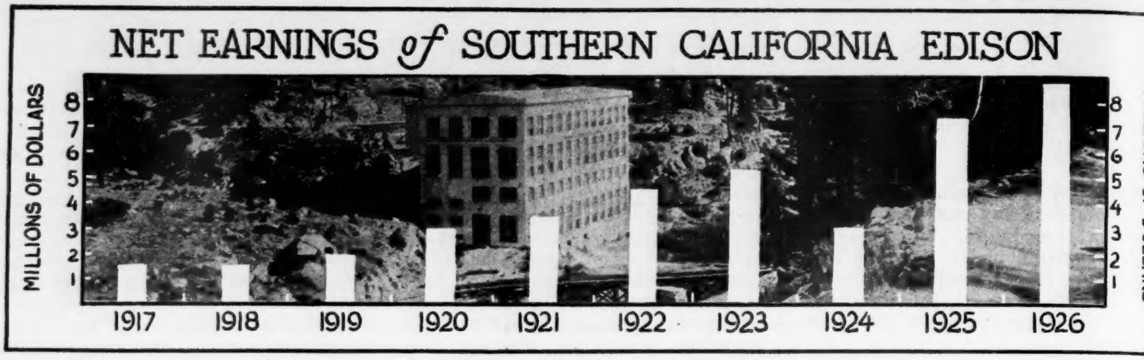
Final recognition of this handicap and the grant in connection with a rate increase of a share of the revenues proportionately larger than what would have been the case on a strictly mileage basis was one of the more important factors in the revival of earning power. Added to this were increases in passenger, particularly commutation, rates, stabilization of general prices which tended to prevent further increases in operating costs, and a more effectual control over operating expenses. In each of the six years since 1920, which marked the low point in the affairs of the company, there has been a sharp rise in net income. In the first three years of this period it was manifested through decreasing deficits, income after charges showing a balance in black for the first time in 1924 in an amount approximating 3 millions, which at the close of last year had grown to more than 8.24 millions. The latter figure is equivalent to $5.25 per share of common stock without regard, of course, to the present revision in capital structure. Giving effect to the increased outgo entailed in the substitution of $49,036,700 in 7% preferred stock for 43 million 6% notes, net income in 1926 would amount to $4.71 per share on the common.

Operating ratio last year was reduced to 73.7%, the lowest figure since 1917. This ability to hold down expenses in conjunction with greater freight revenues has had a doubly beneficial effect. It is likewise highly significant that substantially the entire saving has occurred in transportation expenses. This item has declined no less than 23 millions since 1920 in face of a gain in total operating revenue of 11.5 millions during the same period. Conditions in 1920 were somewhat abnormal, it is true, but the same tendency is strikingly in evidence although a smaller scale than indicated by these figures would be more representative of actual accomplishments. The principal point to consider is that so well has the property been kept up through the expenditure of consistently large amounts thereon, that maintenance charges have shown little or no diminution on the average, so that, accordingly, practically all progress in the direction of lower costs may be credited to operating efficiency, which in turn, of course, has been promoted by ample maintenance. Condition of equipment has improved, particularly in respect to locomotives, but there is room for further progress along these lines which may be expected to develop within the next few years.

While the situation in regard to outside investments has not assumed as great a degree of importance as the status of the road as an operating unit, it is undeniably far better than was the case only comparatively recently. Boston & Maine, in which New Haven holds

(*Please turn to page* 1056)





Huge Projects Mark Southern California Edison's Expansion

Third Largest Hydro-Electric Continues Developments in Sierra Nevadas and Plans Further Expansion of Steam Generating Facilities

By W. U. FIELD

FROM the lakes and streams of the high Sierra Nevadas down through the foot hills of Fresno, Tulare, Kern and San Bernardino Counties and the fertile San Joaquin Valley, a network of water power electric developments pour their energy into populous Los Angeles, Orange and Riverside Counties in southern California. And the huge utility enterprise to which this remarkable development owes its existence continues its progressive policy of expansion, undaunted by difficulties which more than once have caused its well wishers to doubt its ultimate financial sucess. When water has failed, new sources have been harnessed, even though mountains need be drilled through; and to assure the uninterrupted service which forms so essential a virtue in public utility operation, huge steam generating plants have been constructed and linked to the great system.

Such is the Southern California Edison Company, the third largest hydro-electric operating company in the United States, and one of the most energetically progressive in the world.

With pardonable pride, Southern California Edison, in its last pamphlet report which, incidentally, might well serve as a model of completeness for corporate documents of its kind, points to its record of growth in the six years ended with the close of 1926.

Interesting Figures

During this brief period, the population served by the company increased more than 90%. Today, the system serves 360 cities and towns in ten counties with an aggregate population of more than 2,750,000. The number of its consumers, during the same period has increased 164%, with its service extending to 630,000 customers, including 275,000 supplied indirectly, in certain communities where energy is delivered at wholesale. Gross earnings increased 90%, with revenues of $27,846,518 in 1926, while generating capacity, at the close of the last calendar year, represented an increase of 161%. The 1,764,634,608 kilowatt hours of energy sold in 1926 were 135% more than sales in 1920.

The significance of these figures lies not alone in the evidence they furnish of the growth of the company's activities and of its financial progress, for this growth and progress has been closely linked with the development of the territory served, and who can measure the extent to which the natural growth of this territory has aided the company as against the extent to which the company's service has accelerated the development of its territory. For thirty years, the needs of the south central and southern portions of California have been faithfully served by the Southern California Edison Company and its predecessors and the character of this service undeniably has exerted a tremendous influence in building up the resources of these sections. In little more than a decade, Southern California Edison has increased its plant and property account by more than $200,000,000. At the close of 1915, this account stood at $32,210,099; at the close of 1926, it stood at $235,-173,196.

It is a highly favorable commentary on the management that during this period of expansion, a highly satisfactory balance was maintained in the capital structure of the corporation. At the close of 1915, capital liabilities aggregated approximately $33,616,000, of which amount $19,216,000 or 57% was represented by funded debt, $4,000,000 or 12% by preferred stock and $10,-400,000 or 31% by common stock. In connection with the recent offering by bankers of $30,000,000 refunding mortgage bonds, capitalization was reported as aggregating $260,148,847, of which $135,059,700 or 52% was in bonds, $76,629,500 or 30% in preferred stock and $48,459,647 or 18% in common stock.

Ratio of Funded Debt Lower

Thus, it will be seen that during the period under consideration, the ratio of funded debt to total capitalization was actually reduced—from 57% to 52%—while a very substantial burden of capital liability was placed on the preferred stock classification which increased from 12% to 30% while common stock declined from 31% to 18% of total capitalization. Obviously, unwilling to over-extend its funded debt and unable economically to finance its requirements through the sale of common stock (for the major part of its capital requirements for expansion came at a time when public utility common stocks were not readily salable on terms sufficiently advantageous to utility companies) the management exercised the alternative of raising new capital through the sale of preferred stock. The amount of the latter, perhaps, was increased somewhat beyond the point which choice might have dictated, yet the credit standing of the enterprise was maintained albeit at some expense to the position of the common stock.

That gross earnings have failed to keep pace with the growth in capitalization is indicated by the increase of

465% in 1926 gross revenues of $27,-846,518 over 1915 gross revenues of $4,933,116, as compared with an increase of about 675% in capitalization during the same period. It should be considered, however, that the additional plant facilities which necessitated this increase in capitalization, in all probability will not reach their maximum earning capacity for some years to come, so that henceforth it may be expected that Southern California Edison's earnings will gradually expand with the development of its territory and with a proportionately smaller expenditure for plant additions.

The apparent lagging of earnings is accounted for, too, by the fact that Southern California Edison Company's developments, until recently, have been almost entirely hydro-electric and such developments are much more costly, per given capacity, than steam generating properties. Hydro-electric properties, on the other hand, have an infinitely longer life and are much more economically operated than steam plants and usually enjoy more stable earnings due to their freedom from the influence of price fluctuations in fuel to which steam operated properties are subject.

In the case of the Southern California Edison Company, this stability of earnings has been particularly marked, as the accompanying chart well illustrates, although in one year, 1924, peculiarly adverse conditions caused a notable exception to the rule of stability. In that year, a severe decline in net earnings was occasioned by the lowest precipitation in the winter of 1923-1924 recorded in California in forty years, which caused a shortage of water for both hydro-electric energy and irrigation. The result was curtailed hydro-electric output and the company was obliged not only to requisition many of its obsolete steam generating plants which had previously been discarded but also to purchase power extensively from other companies.

Repetition of the results reported for 1924 will be practically precluded by completion of the immense improvements now under way. Completion of the Florence Lake Tunnel will supply water sufficient for the production of 1,250,000,000 kilowatt hours a year through existing plants and plants to be constructed. This project, now nearing completion, together with the Huntington Shaver Tunnel, comprises one of the greatest hydro-electric engineering feats of the times. A thirteen mile tunnel will carry the waters of Florence Lake and divert the waters of Mono Creek and Bear Creek to Huntington Lake whose overflow will be carried to Lake Shaver by means of a pipe line and tunnel four and one-half miles in length. All of this construction is scheduled for completion in time for the 1928 spring run-off and the Shaver Lake Dam, 183 feet in height and 2,222 feet at the crest, is scheduled for completion during the coming winter.

In the meanwhile, work progresses on the Long Beach steam plant development. In his last report to stockholders, Mr. John B. Miller, president of the company, stated:

"When your company initiated a major steam development program some two years ago it marked the transition from a basic water power system with steam power as an auxiliary, to a system of water and steam power generation with prospect of steam power becoming primary and water power fulfilling its ideal function of reserve operation. The last twenty years comprise a period during which water power development had a distinct advantage. During this period most of the economical water power sites have been put to work. There are now comparatively few nearby undeveloped water power projects that could deliver power to load centers, after the cost of long distance transmission is included, at a price to compete with steam power from modern high efficiency super power plants located at tidewater."

The Long Beach installation already completed represents 288,000 horsepower capacity, but the ultimate planned capacity of the development is 1,000,000 horsepower. In its present stage of completion, the plant is now the largest in the west and one of the most efficient in operation.

Both gross and net earnings of the Southern California Edison Company, in 1926, were the largest in its history. Gross earnings of $27,846,518 were slightly over three million more than those of the preceding year and net of $18.061,809 was one and a half million more than in 1925. Bond interest was earned almost three times and all deductions from net, including interest, amortization and depreciation absorbed less than half net earnings. After these charges and after all preferred stock dividends, the balance remaining for the common stock was $2.67 per share on the present 1.938.386 shares of common stock of $25 par value outstanding, upon which dividends are being paid at the annual rate of $2 per share.

On the basis of these earn-

(*Please turn to page* 1083)

Southern California Edison Company

Capitalization

BONDS:	
Refunding Mortgage:	
Series of 5s, due 1952	$30,000,000
Series of 5s, due 1951	55,000,000
7% Debentures due 1928	974,000
Underlying Mortgages (closed)	49,085,700
Total Bonds	$135,059,700
STOCKS:	
Common ($25 par)	$48,459,647
Preferred, Series A 7%	25,545,500
Preferred, Series B 6%	46,771,025
Preferred, Series C 5½%	312,975
Original Preferred 8%	4,000,000
Total Stock	$125,089,147

Statistics of Operation

	1926	1925	1924	1923	1922
Capacity in Horsepower					
Generating Plant					
Hydro	465,700	465,700	376,000	376,000	249,600
Steam	350,400	270,000	250,600	127,100	127,100
Total H. P.	816,100	735,700	624,600	503,100	376,700
System Output (Kwh.)					
Hydro	1,661,000,296	1,605,469,778	730,382.885	1,136,354,963	1,058,703,776
Steam	559,502,576	386,112,133	735,652,784	327,900,784	72,718,357
Purchased Power	7,376,900	7,275,016	221,852,537	84,640,373	67,501,236
Total Kwh.	2,227,879,772	1,998,856.927	1,687,888,206	1,548,896,120	1,198,926,369
Connected Load (As of Dec. 31)					
Number Meters	355,165	327,070	294,557	247,953	196,154
Horsepower	1,450,298	1,237,598	1,003,485	899,950	706,308

What to Look For in New Securities

Significant Items—Differences Between Offerings of Old Companies and New Promotions—Avoiding Overpriced Issues

By SAMUEL D. OSGOOD

BETWEEN four and five billion dollars' worth of new securities are sold in this country every year. Without them, the normal industrial growth of the country, the expansion of the utilities, and the necessary refinancing of business could not take place, and all economic activity would be hampered if not stifled. Because of the huge volume of the industry of "manufacturing" new securities, and the financial strength of the banks and investment houses engaged in it, a great selling effort is going on all over the country, every business day in the year, looking toward the placing of new securities.

On the other hand, it is estimated that not less than a half billion dollars a year is thrown away on worthless securities. Probably at least as many again of the new securities put out in any one year get into some difficulty during the life of the investment; bonds may be delayed or default altogether in the payment of interest or principal, or may be forced to accept inferior securities in exchange in a reorganization; stocks may have to do without dividends for many years, or may be assessed or even wiped out.

Caution in Buying Necessary

There is, therefore, great necessity for caution in buying new issues, even more than in investing in seasoned bonds and stocks which have been traded in for years on a recognized exchange. The two great channels of selling effort in the placing of new securities are the printed circular, bearing the responsible statements of the offering bank or investment house, and the statements made in addition by the salesman who calls on the investor.

If the securities buyer has in mind, as he looks over the circular or questions the salesman, a more or less exhaustive list of questions, flexible of course to suit the great variety of investment offerings, he will be in much better position to avoid the pitfalls of unsatisfactory investment.

AS a rule, the inexperienced investor feels himself helpless when confronted by a security salesman or in analyzing a security circular. We feel sure, however, that after reading this article the investor will be in a better position to determine whether or not he should make an investment in a new security.

A completely fraudulent investment offering is, as a rule, easy to recognize if one looks out for it. Its promises of future profit are apt to be extravagant, or if a bond it is apt to offer an interest return far above the usual yield of well-secured bonds. The prospectus or salesman is apt to come entirely unintroduced and unsolicited, the essential data such as earnings statements or balance-sheets will be vague or absent, the offering house unknown, no mention made of any market, public or over-the-counter, reference may be made to the great profits made in the past by investing in other securities, etc.

The difficulty, however, is to pick the weak spots in a thoroughly honest, well-intentioned security offering, even if made by a first-class investment firm. New promotions should be considered from a somewhat different point of view than new offerings of already existing or old corporations, as somewhat different considerations apply.

In any case, the basic facts in any circular should be: the history, property and business of the company, its record of earnings (if not a promotion), its balance-sheet, capitalization, management and the certification of responsible lawyers and accountants, where possible.

Assuming that all these are in order, and in insufficient detail so that an investor will get a fair idea of the fundamentals of the company, if it is a promotion, the investor will naturally ask, "Is the business idea behind the company sound? Is it the kind of proposition I would put my money into if a friend came around to me, without the glamor of print or the association of the name of a great banking house, and suggested starting a business along these lines? Is this the right place or time for such an offering? Is there a demand for the article? Is it well located with respect to its sources of supply? Is it open to competition, or protected by patents, or special skill or knowledge or the necessity of an immense capital investment to compete?"

If satisfied on this score, the investor will then proceed to make an independent analysis of the financial strength of the new company. By far the most prolific cause of disaster is trying to do too much business with a limited amount of capital; what comes to the same thing, is too large a proportion of fixed assets and not enough working capital, leading to dependence on banks and other lenders who may eventually "squeeze out" the original investor. How do other companies of the same type check up in their ratio of fixed and working capital to amount of business done?

Some Other Factors to Consider

Even a new proposition should have some kind of past record, and be something more than a mere idea. Really sound ideas are usually nursed along for a period of time by a small group or syndicate, which puts up the money to try it out and assumes the risk. When the idea has demonstrated its ability to earn money, they offer securities to the public, retaining a block of shares themselves and having their money back. Their rewards are greater than the public's, because their initial risk was greater.

Where a new idea is sold to the public without such sponsorship, particularly if the controlling interests retain the bulk of the stock, and call on the public to supply all the real money that goes into the enterprise, i. e., assume all the risk, the deal is not fair and should be rejected.

If the investor will bear in mind that his proportion of the expected profits of the new business should be in accordance with the risk taken, there will be less danger to fear from overcapitalized promotions, in which little or no capital is supplied outside of the public interest. If the public is asked to buy bonds or preferred stock, with or without a bonus of common, the controlling interests should put in their money in the form of a junior security, and their share of the common should not be excessive in proportion to their actual capital investment.

Another important question is, What possibilities has the new company left itself for additional financing if things do not go well at first? If all its assets are tied up by a mortgage bond which is issued to the hilt, it may have to go into receivership to the damage of the original investor, even if the enterprise is sound and only needs a little more time and more farsighted financial structure.

On the other hand, the investor should also see to it that his interests may not be shoved too far into the background in the event of necessary future financing. If he has bought a preferred stock, he may find one or more bond issues brought out later, subordinating his claim on earnings and postponing his dividends until arrears pile up so high that they cannot be paid off in cash.

Purpose of Financing

When the security proposed for purchase is that of an already existing company, the first question to be asked is, "What is the new capital needed for? Is it to finance past losses, which have been carried by the bankers who are anxious to turn over their burden to the investing public? Or on the contrary, is it to pay for a change in operating methods, for installing machinery or building a new plant, which will increase the company's earning power? Is it to finance a change of ownership, the former owners of a close corporation deciding to sell out? If so, is it because they feel the business is slipping, or because they are getting old, or because they want to leave their estate in a readily marketable form, like public securities, rather than a partnership or closely-held corporation? Is it to finance an expansion program, and if so, is this a proper time to undertake expansion? Is it to finance a merger or consolidation, and if so, is the union a reasonable and logical one?"

With these basic questions properly settled, the investor can then make up his mind as to the investment quality of the offering, based on earning power,

(*Please turn to page* 1075)

Bond Buyers' Guide

Bonds for Income Primarily

GOVERNMENT ISSUES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 ....(a)	....	....	....	99½	6.04	6.05
Chile 6s, 1960 ....(a)	....	....	100	91½	6.55	6.67
Dominican Rep. 5½s, 1942..........(a)	6.4	....	101G	99	5.55	5.60
Haiti 6s, 1952 ....(b)	....	....	100G	99¾	6.04	6.06
Panama 5½s, 1953 ....(a)	....	....	102½G	103	5.33	5.30
RAILROAD ISSUES						
Cuba R. R. 1st 5s, 1952................	....	3.80	....	97	5.15	5.20
Central of Georgia, Ref. 5½s, 1959.....	31.1	1.74	105G	106	5.19	5.13
Chicago & West. Ind. 1st Ref. 5½s, 1962	60.1	X	105	105¼	5.21	5.16
Erie & Jersey, 1st 6s, 1955............	....	1.61	115	115	5.20	5.02
Florida East Coast, 1st Ref. 5s, 1974.(b)	12.0	3.55	105G	96	5.20	5.22
Great Northern, Gen. "A" 7s, 1936..(b)	139.8	2.67	....	114¾	6.08	4.95
Kan. City Sou., Ref. & Imp. 5s, '50....	30.0	2.07	105A	101½	4.90	4.87
Minn., St. P. & Sault, 1st Con. 5s, 1938.	....	1.19	....	97¼	5.13	5.40
Norfolk & Southern, 1st 5½s, 1961.......	3.8	1.21	105	94¾	5.27	5.31
Peoria & Pekin Un. Ry., 1st 5½s, 1974.	....	2.04	105G	106	5.18	5.15
Rock Isl., Ark. & La., 1st 4½s, '34..(b)	....	1.53	105T	97⅝	4.55	5.04
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952	45.3	2.05	....	99¾	5.02	5.03
PUBLIC UTILITIES						
Amer. W. W. & Elec., Coll. 5s, 1934.(b)	....	1.34	102½	100⅞	4.95	5.00
Brooklyn City, 1st Con. 5s, 1941........	....	3.48	....	91½	5.45	5.90
Hudson & Manh., 1st Ref. 5s, 1957..(b)	5.6	2.01	105	100⅞	4.93	4.94
Indiana Nat. Gas, Ref. 5s, 1936........	....	2.00	....	99⅜	5.03	5.14
Louisv. Gas & El., 1st Ref. 5s, 1952..(b)	1.2	2.34	110T	103⅝	4.82	4.74
New Orleans Public Service, 1st Ref. 5s, 1952 ....(b)	10.5	1.70	105T	97⅜	5.12	5.19
N. Y. Steam Corp., 1st 6s, 1947.....(a)	....	2.05	107½GT	107½	5.54	5.40
Pacific Gas & Elec. Gen. & Ref. 5s, 1942	40.3	2.00	105T	103½	4.81	4.70
Public Service of N. J., Sec. 6s, 1944.(a)	....	2.75	107½T	106½	5.63	5.42
Rochester Gas & El., "C" 5½s, 1948.(a)	12.5	2.08	105GA	106	5.17	5.02
INDUSTRIALS						
Bethlehem Steel, P. M., 5s, 1936........	5.1	2.20	105	100½	4.97	4.90
Brier Hill Steel, 1st 5½s, 1942......(a)	....	4.00	105	105	5.23	5.02
International Paper, 1st 5s, 1947........	....	7.26Y	102½	100	5.00	5.00
Morris & Co., 1st 4½s, 1939............	....	NS	103	85½	5.25	6.25
Mortgage Bond, 5s, 1932.............(b)	....	1.68	100	97½	5.14	5.60
Schulco "A" 6½s, 1946.............(a)	....	X	103T	104	6.25	6.18
Sinclair Pipe Line, 5s, 1942..........(a)	....	4.46	103	93¾	5.32	5.65
U. S. Rubber, 1st 5s, 1947..........(b)	2.6	2.91	105T	94	5.31	5.50

Bonds for Appreciation of Principal Primarily

RAILROADS	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Atlantic & Danville, 1st 4s, 1948.......	....	1.79	....	82	4.92	5.50
Central New England, 1st 4s, 1961......	0.2	0.78	105	85	4.70	4.90
Chicago Gt. Western, 1st 4s, 1959......	....	0.97	....	73¼	5.46	5.86
Erie, Gen. Lien 4s, 1996................	91.6	1.46	....	79¾	5.03	5.08
Mississippi Central, 1st 5s, 1949.....(b)	....	1.36	110A	97⅛	5.13	5.25
Missouri Pacific, Gen. 4s, 1975.......(a)	210.4	1.28	100A	78	5.08	5.20
New Haven, Non-conv. Deb. 4s, 1956....	49.4	1.48	....	82¼	4.87	5.20
Northern Ohio, 1st 5s, 1945.............	....	2.60	....	100	5.00	5.00
Seaboard Air Line, Ref. 4s, 1959........	46.4	1.25	105A	73	5.48	5.90
Texarkana & Ft. Smith, 1st 5½s, 1950..	....	2.02	107½A	106½	5.13	5.06
Western Maryland, 1st 4s, 1952.........	2.3	1.24	....	86	4.65	5.00
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968....(b)	....	1.52	105	96⅝	6.24	6.26
Market St. Ry., 1st 7s, 1940.........(a)	....	2.22	106½T	99¾	7.02	7.03
Montreal Tram., 1st & Ref. 5s, 1941.(a)	....	1.31	105A	99⅛	5.06	5.07
Sierra & San Francisco, 1st 5s, 1949....	....	1.78	105	100	5.00	5.00
Utah Power & Light, 1st 5s, 1944.......	....	1.97	110	100¼	4.98	4.98
INDUSTRIALS						
B. F. Keith, 1st & Gen. 6s, 1946........	4.8	4.16	104T	100	6.00	6.00
Pressed Steel Car. Conv. 5s, 1933.......	....	3.30	100	96¾	5.16	5.65
Walworth Co., 1st "A" 6s, 1945.....(a)	....	2.73	104½T	95	6.31	6.49
Webster Mills, 6½s, 1933............(c)	....	2.44	106½T	97½	6.68	7.00
American Chain, S. F. 6s, 1933......(a)	....	6.84	105	104⅛	5.76	5.20
American Type Founders, 6s, 1940......	....	3.84	106	105½	5.68	5.42
California Petroleum, Conv. 5s, 1939..(a)	....	11.56	103T	94¼	5.30	5.67
Dodge Bros. Conv. 6s, 1940..........(a)	....	9.97	110T	87½	6.85	7.50
White Sewing Machine, 6s, 1936.....(b)	....	5.60	105	†101	5.94	5.83
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, '29	31.1	2.11	102T	102¼	5.87	4.81
Gen. Petroleum, 6%, April 15, 1928.....	....	5.18	101T	100¾	5.96	5.22
Sloss-Sheffield P. M. 6s, Aug. 1, 1929...	1.7	4.55	105	102¾	5.84	4.56

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500. (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

Y—Recent earnings about 2.16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market. † Without warrants.

Thumb Nail Sketches of Eight Attractive Stocks Which Have Declined Below Value

1.—California Packing Corp.

A Temporary Victim of Circumstance

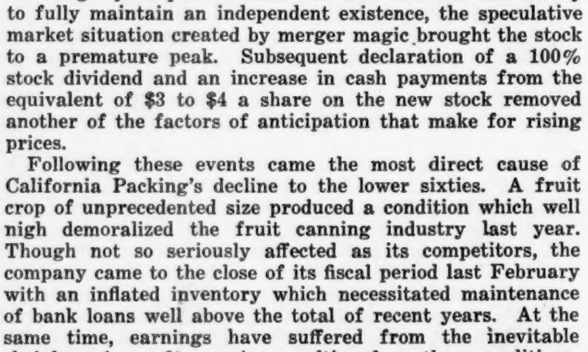
Decline in Shares Affords Attractive Investment Opportunity

THE decline in California Packing shares from a record high equivalent to $90 for the present stock to current levels around 65 had its genesis in two unrelated developments. One of these was the collapse of a speculative movement predicated upon belief that the company was to be absorbed by Postum Cereal. Negotiations for purchase had reached a stage where the company's directors were actually considering an offer of $185 a share for the old stock and failure of the proposed merger, naturally, left California Packing to stand as before on its own feet.

Though past performance has demonstrated its ability to fully maintain an independent existence, the speculative market situation created by merger magic brought the stock to a premature peak. Subsequent declaration of a 100% stock dividend and an increase in cash payments from the equivalent of $3 to $4 a share on the new stock removed another of the factors of anticipation that make for rising prices.

Following these events came the most direct cause of California Packing's decline to the lower sixties. A fruit crop of unprecedented size produced a condition which well nigh demoralized the fruit canning industry last year. Though not so seriously affected as its competitors, the company came to the close of its fiscal period last February with an inflated inventory which necessitated maintenance of bank loans well above the total of recent years. At the same time, earnings have suffered from the inevitable shrinkage in profit margins resulting from these conditions.

The company has, however, again demonstrated its recuperative power and fundamentally sound position by the reduction of floating indebtedness to approximately one-fourth the February total in the fore part of the current season and by cutting inventories between 60% and 70%. Improvement in this respect suggests that the worst phases of the 1926 difficulty have been passed, a conclusion further supported by the naming of higher prices in the company's September list. *Hence, it seems unlikely that the stock will not long continue to remain at the present relatively depressed level around 65.*



2.—Electric Storage Battery

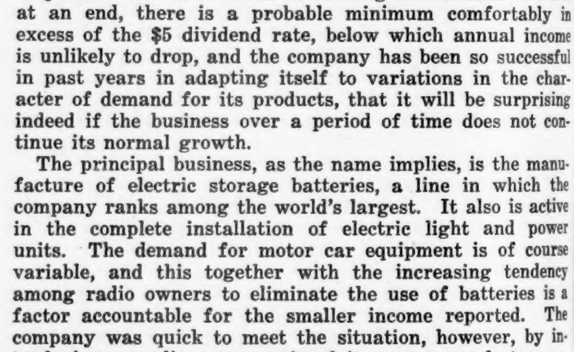
A Neglected Stock

Troubles of the Company Seem Over—Large Working Capital an Attractive Feature

WITH a continuous dividend record of more than 26 years' standing to its credit, the Electric Storage Battery Co. has long been recognized as among the soundest of industrials, although subject to a certain measure of fluctuation in earning power from year to year. A moderate decline in earnings this year and last has prevented the common stock from reaching the same relative heights witnessed in the case of so many issues of its type. On the contrary, the shares are currently some twenty points below their peak price of 1926. While conditions responsible for the recent slackening in business are not at an end, there is a probable minimum comfortably in excess of the $5 dividend rate, below which annual income is unlikely to drop, and the company has been so successful in past years in adapting itself to variations in the character of demand for its products, that it will be surprising indeed if the business over a period of time does not continue its normal growth.

The principal business, as the name implies, is the manufacture of electric storage batteries, a line in which the company ranks among the world's largest. It also is active in the complete installation of electric light and power units. The demand for motor car equipment is of course variable, and this together with the increasing tendency among radio owners to eliminate the use of batteries is a factor accountable for the smaller income reported. The company was quick to meet the situation, however, by introducing a radio power unit of its own manufacture, so that the additional earnings provided by this growing young industry should still make themselves felt.

With cash and its equivalent not far below 9 millions, the largest working capital in its history, and an entire absence of funded and floating indebtedness, Electric Storage Battery has no worries on the score of financial stability, and should readily be able to resume its policy of periodic extra disbursements whenever earnings warrant. *The common stock, currently around 73, is worth consideration on the part of those desiring some element of speculation in combination with a strong background of fundamental security.*



3.—*General Asphalt*

An Industrial With An Oil Complex

Inauguration of Common Dividend Awaits Recovery of Oil Industry

General Asphalt

	1926	1925	1924
*Gross income	$19.91	$17.63	$16.11
*Net income	2.00	1.52	1.57
Earned per share	$8.12	$5.79	$6.05
*Profit and loss surplus.	$8.54	$6.91	$5.76

* Millions of dollars.

PRICE RANGE

Year	High	Low
1918-22...........	160	14
1923...............	53	25
1924...............	62	33
1925...............	67	46
1926...............	93	56

MENTION of General Asphalt to those who follow the fortunes of speculative issues is apt immediately to bring about a discussion of oil stocks. By force of common custom, the company is almost universally associated with the petroleum industry, although it is primarily a manufacturing enterprise. The Barber Asphalt Company, General Asphalt's most important subsidiary, possesses the largest refinery of its kind in the world, situated at Maurer, New Jersey. Here also the parent concern has a roofing factory and oil refinery and these plants consume a good share of the petroleum produced by the oil properties.

Raw material for the company's various asphalt products is obtained from a mining subsidiary controlling the famous Trinidad properties. These lines of manufacture are supplemented by closely related operations, such as the production of road rollers, acid resisting valves and fittings and "Gilsonite."

The stock market's interest in General Asphalt, however, has always centered about its Venezuelan oil properties. Long before the company attained its present satisfactory earnings status, the mystery element associated with this phase of its business frequently stimulated spectacular price advances in the shares, usually in periods when the oil stocks generally were in favor.

Since approximately 30% of the company's income is accounted for by the present royalty agreement with the Royal-Dutch Shell group, this close relationship between General Asphalt's market movements and those of the oil shares is not without a sound foundation. In fact, the depression created by over-production of domestic crude oil and attendant low prices may be held primarily accountable for Asphalt's decline to current prices around 74 compared with last year's peak at 94.

The 1926 advance was largely in the nature of anticipation of dividends for the common stock on which no payments have ever been made. Earnings since 1923 have steadily expanded and in 1926 reached $8.12 a share against $5.79 in the preceding year. The favorable showing of the former twelve months thus led to belief that common dividends would be inaugurated, an expectation that would probably have been realized but for the adverse effect of low oil prices, since the company's financial condition is strong and would readily admit payment of dividends as soon as the earnings prospect improves to a moderate extent.

General Asphalt would seem to have reached a position where earnings from its main lines of manufacture need only to be supported by reasonable improvement in the petroleum division to permit renewed consideration of a distribution to common shareholders. Since it is not strictly an oil stock, such recovery in the case of General Asphalt need not be as great as with the average non-dividend oil issue to result in speculative price appreciation.

4.—*American Agricultural Chemical*

Prospects Slowly Improving

Recapitalization Depends Upon Return of Normal Conditions

TO American Agricultural Chemical Co. belongs the distinction of being the only one of the leaders that has weathered an unabated storm in the fertilizer industry without a reorganization. Beset by several years of the most trying difficulties, it has maintained its financial integrity and even succeeded in steadily scaling down bonded debt.

For a time last year it seemed that the company might be able to effect the long hoped-for readjustment of capital structure to permit elimination of the substantial profit and loss deficit resulting from the 1921 collapse in fertilizers. The deficit in surplus account reached a peak at 19.40 millions as of June 30, 1924, but was cut to 16.84 millions in the next two years. At the close of the 1927 fiscal year, however, the company again reported a loss from operations and after payment of interest charges, its profit and loss deficit had once more increased to 18.76 millions.

Adverse weather conditions in the cotton belt, where by far the greatest percentage of fertilizer is sold, led to a price-cutting war in the industry during the 1926 season. American Agricultural held aloof from this struggle but sales volume was adversely affected. In the fore part of the 1927 fiscal year, the demoralized condition of the cotton market brought on another competitive struggle among fertilizer companies whose difficulties were aggravated by slow business with Cuban sugar growers.

Disappointment caused by these successively unfavorable seasons, after the brightening prospects of early 1926, pulled American Agricultural preferred stock from a high of 96 to a figure below 40. Of late, there has been some recovery in the market for the shares despite the recent release of an unfavorable earnings report for the year ended June 30, 1927. This has unquestionably been due to belief that the 1927-28 season will bring a turn for the better to the fertilizer industry owing to a markedly improved cotton situation.

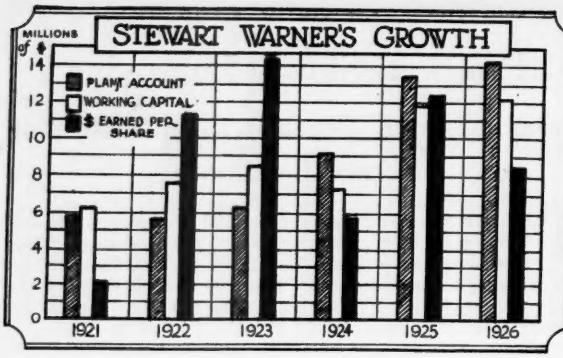
Given a reasonable gain in earnings, the company could readily reconsider plans for correcting the incongruity of a large profit and loss deficit and very strong working capital position. In fact, it is owing to maintenance of a sound and liquid asset condition that American Agricultural been able to withstand the stress of recent years so well. At the close of its 1927 year, current assets were 24.75 million compared with but 1.71 millions of current liability, a ratio of more than 14 to 1.

It is hardly to be expected that definite measures toward reduction of the $37.50 back dividends now due on the preferred stock can be taken until earning power is re-established. As a speculation for a long pull, however, American Agricultural Chemical preferred at current levels seems the most desirable of the stocks in its particular group.

American Agricultural Chemical

	Gross Income	Net Income	Working Capital	Earned on Pfd.	Price Range High	Price Range Low
*1921.	$1,912,208	D $11,158,442	$48,253,020	D $39.21	90	51
*1922.	5,234,143	D 1,124,071	46,811,912	D 3.95	72	56
*1923.	6,306,129	501,481	37,950,572	1.76	68	28
*1924.	5,953,220	112,463	31,320,219	0.40	49	18
*1925.	6,811,478	2,045,815	32,270,715	7.19	82	36
*1926.	5,303,445	1,023,712	28,762,588	3.60	96	35
*1927.	2,106,605	D 1,924,135	23,040,358	D 6.75	51	28

* Years ended June 30. D—Deficit.



5—Stewart Warner Speedometer

Automotive Accessory Manufacturer's New Status

Significance of Entry Into New Fields

BY applying the principle of diversification, so well known to students of investment, to manufacturing activities, Stewart-Warner has appreciably altered its status during the past few years. Prior to 1924, when a majority stock interest in the Bassick-Alemite Corp. was acquired, the company was purely a motor accessory manufacturer. Earnings, accordingly, were quite sensitive to fluctuations in the rate of motor car production. Though operations have been uniformly profitable since organization in 1912, net balances available for the stock have varied between a maximum of $14.16 a share and a minimum of $2.08 in the past seven years. Such wide changes, of course, attach a speculative flavor to a security so that Stewart-Warner is not unjustly regarded as a rather volatile market performer.

"Stewart" vacuum tanks and speedometers are still considered more or less standard equipment for automobiles, but the greater diversity of output accomplished of late years has to a degree divorced the company's earning power from dependence solely upon the automotive industry. Thus, though the company retains its position of leadership in the accessory business, a very substantial percentage of its income is derived from industrial lines outside the automotive industry. The Bassick subsidiary specializes in high pressure lubricating systems which are used in many industries and also is a leading factor in furniture trimmings and hardware as well as casters and automobile hardware. Others of Stewart-Warner's nine factories include the world's largest die casting plant and one of the country's principal radio manufacturing enterprises. The products of these properties are distributed through extensive, wholly owned or controlled, distributing organizations, including several foreign branches.

In accordance with its policy of diversifying activities, reflected in a fourfold expansion of plant capacity since 1916, the company has developed and remodeled its older factories to produce additional automotive accessories. Its venture into the radio industry two years ago marked another step in this program.

Marked changes in the demand for automotive accessories must, of course, be reflected in earning power so that the stock cannot yet be said to have been removed from the speculative category. The outlook for Stewart-Warner's radio lines is also somewhat obscure owing to the fact that this industry is still in an unsettled state. At the same time, the company enjoys an exceptionally strong financial position. There is no floating indebtedness and current assets of 12.26 million dollars compare with but 2.05 millions of current liabilities. *Hence, considering the financial status and the well rounded sales and manufacturing activities of the company, its stock seems to have good speculative possibilities around* 66.

6—St. Louis Southwestern

An Attractive Non-Dividend Rail

Steady Progress Presages Dividend Payment

THE long absence of common dividends in conjunction with very satisfactory balances available for such dividends for many years past indicates how extensively earnings have been expended in building up the property. This has been almost essential inasmuch as previously the road had not been equipped to handle the increased volume of business emanating from the rapid development of the southwest. Heavier rails and modern equipment had to be installed, and maintenance charges were well over the average. The trend of gross revenues, it is true, has been moderately downward in recent years and little progress has been made in lowering the operating ratio. Conditions in the territory served, however, have been highly competitive, and frequent changes in control were probably not conducive to the greatest stability. It is significant that increasing efficiency in operation has brought about reductions in expenses other than maintenance in a manner to offset constantly increasing figures for the latter item, thus allowing operating ratio to remain relatively unchanged.

St. Louis Southwestern, more familiarly known as the "Cotton Belt," operates 1,748 miles of road extending from St. Louis to Fort Worth and other Texas points. Despite its natural association with the cotton industry, traffic in reality is very well diversified, and agricultural products constitute less than 19% of total freight carried. In fact, at no time in recent years has any single class of traffic exceeded 35%, and last year manufactures and merchandise occupied the leading position with 31.75%, with products of mines and forests at 22.87% and 25.48% respectively. The road then is fortunately situated in respect to balance of traffic, and has been becoming more so from year to year.

Plans for the creation of a single system consisting of Cotton Belt, Kansas City Southern and Missouri-Kansas-Texas, although temporarily held up owing to certain objections by the Interstate Commerce Commission, are still under way, and something definite pertaining thereto should become known in the reasonably near future. There is a decided uncertainty in the outlook for such a unification of interests, but from the point of view of stockholders it does not appear to be a matter of vital importance, as conditions strongly point to an ability on the part of St. Louis Southwestern to make a creditable showing as an independent unit.

The capital structure is top-heavy, pending improvement through stock financing, which involves, however, a price above par for the common. Temporary falling off in earnings resulting from flood conditions may well defer dividend action which would make this possible, but it is by no means a negligible prospect. *The common around* 80 *is one of the more attractive non-dividend rails.*

St. Louis Southwestern

	Freight Cars Owned (thousands)	Average Freight Car Capacity (tons)	Bad Order Freight Cars	Freight Tonnage (mil.)	Working Capital (mil.)	Common Share Earnings
1922...	12.5	32.6	8.6%	5.4	$4.6	$7.72
1923...	12.3	33.5	17.6%	6.4	4.1	14.71
1924...	11.3	34.7	15.7%	5.9	5.9	8.38
1925...	10.8	35.8	5.0%	5.8	4.3	8.47
1926...	9.8	36.5	3.8%	6.0	6.8	8.63

7—Continental Can

Still Behind the Market

Company Second Only to American Can—Strong Financial Position

THE first interruption to a rising trend of earnings which extended from the close of 1921 through 1925 carried the market levels of Continental Can common appreciably under the high points attained in 1925 and last year, from which the recovery up to date is only moderate. Dividends fortunately had consistently been well within earning power, so that the smaller balance available for junior stockholders entailed no change in dividend policy except suspension for the time being of any extra disbursement such as occurred in 1926. The regular rate of $5 annually provides a yield close to 7% which places the stock on an attractive basis in the event that the conditions responsible for the falling off in income are largely a matter of history.

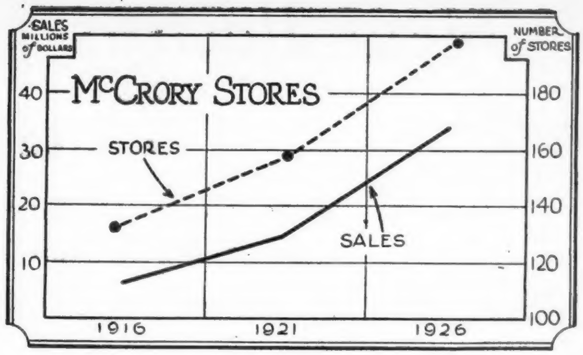
The company ranks second only to American Can as a manufacturer of tin containers. Like its spectacular competitor, it has benefited materially from the steady increase in consumption of canned goods, and there is nothing as yet to indicate that the upward trend in the demand for such products is at an end. What difficulties have been encountered are the direct result of depressed conditions among fruit and vegetable packers. This industry being the primary source of demand, much depends upon its prosperity or lack of prosperity. Overproduction by packers incident to the large crops of 1925 and 1926 and the large carry-overs of canned goods impaired the finances generally of packing companies, prevented a normal volume of demand for tin containers, and brought about a situation in which hand-to-mouth buying has predominated. A temporarily lower scale of prices for cans was the inevitable consequence, which has of course affected the margin of profit correspondingly. As so often happens, however, under similar circumstances, there is an added incentive to greater economies in operation, and the progress made in this direction should be conducive to more favorable results than ever for Continental Can when conditions again become normal.

The company has no funded debt and but one comparatively small issue of preferred stock ahead of the 507,596 shares of no par common outstanding. A uniformly strong financial position is maintained, the last reported balance sheet disclosing no less than $8 in current assets for each $1 of current liabilities, with cash alone amounting to nearly 4 millions. Until 1926 the proportion of earnings retained in the business had for many years exceeded the annual dividend disbursements, which has the effect of placing current dividends in a more secure position during the subnormal period.

Continental Can stands out as one of a comparatively few strongly entrenched industrials whose stocks show no evidences of overvaluation. *As such it merits a greater degree of semi-speculative confidence than the average issue of its type.*

Continental Can

	1921	1922	1923	1924	1925	1926
Operating Income (mil.)...	$1.5	$4.4	$4.8	$5.3	$7.1	$5.1
Net Income (mil.)	0.8	3.2	3.8	4.1	5.5	3.7
Portion of Net Income Retained in Business (mil.)	0.03	2.6	2.4	2.1	3.3	.4
Common Share Earnings..	2.59	7.48	8.69	7.70	10.48	6.36
Working Capital (mil.)...	26.8	29.1	31.0	35.6	40.2	41.2



8—McCrory Stores

A Long Pull Investment

Small Yield Compensated for by Long Range Market Possibilities

LEADING chain store stocks, especially those of companies in the five- and ten-cent field, have for some time been in the front rank among aristocrats of the stock market. Those most in the public eye are selling at almost prohibitive levels which entail the risk of at least a fair sized intermediate loss to present purchasers, and hardly constitute sound commitments at this juncture. A better chance of participating in the prosperity enjoyed by this type of merchandising is through issues less in the limelight that show some evidences of not having received as great a measure of recognition marketwise as they deserve.

The McCrory Stores Corporation, operating a chain of five- and ten-cent stores in territory extending from north to south along the eastern seaboard, has displayed a truly remarkable growth. In fifteen years both sales and net profits have increased in the neighborhood of 1,000%, and judging from present indications a similar rate of progress will continue indefinitely. In the eight months ended August 31 volume of sales aggregated 22.91 millions as against 19.16 millions for the corresponding period last year, which is equivalent to an average monthly gain of nearly $500,000. Business in the closing months habitually runs far ahead of any other period, so that it is safe to anticipate a figure for the full year of between 38 millions and 40 millions. Additional prior charges incident to new issues of debenture bonds and preferred stock will probably prevent a similar increase in the balance available for the junior shares, but the chances are that common share earnings for 1927 will be in excess of $5 per share as against $4.15 in the preceding year.

Earnings of this character for a stock selling in the 80s, it is true, are hardly impressive, but it must be remembered that there are various factors that contribute towards according to chain store issues of this type a considerably higher market valuation in relation to earnings than the average. Principal among such factors are uninterrupted growth, virtual immunity from the ill effects that usually accompany general business depressions, rapid turnover of inventories, and ability to conduct business on a cash basis.

The dividend policy is so conservative that payments are little more than nominal. The current rate is $1.60 per annum with an occasional small distribution in stock besides. The policy is quite in line with that followed by all five-and-ten merchandisers in the belief that surplus income can be employed to much better advantage in financing expansion than in the form of dividends.

McCrory B shares have no voting power but otherwise rank equally with the regular common. They have an extremely thin market and are subject to wide fluctuations on a small volume of transactions. *The yield is such that the only purpose behind a purchase is the expectation of enhancement in value over a period of time, but from this viewpoint the stock around 84 is worthy of attention.*

New Factors in the Investment Trust Field

Shady Figures Threaten This New Investment Field—Financial District Must Take Hand in Its Protection

By LINCOLN WATT

THIS article should be read by every investor and by all those interested in keeping the "investment trust" field clean from blemish.

THE investment trust is taking America by storm. And not a few of the cynics are asking to what extent the investment trust is "taking" the American investment public. We say the cynics, but we really mean the sophisticated financial critics who take nothing for granted and who exercise a notable faculty for asking the most pointed questions regarding sundry matters concerning the purse of the investor.

Now the critics and the dubious and all the self constituted vigilantes rarely join forces on any issue without gaining the recognition of some legal or extra-legal body, as the case might be, upon whom the responsibility devolves of investigating, restricting or correcting. True, sometimes in the past, action has come quite tardily, perhaps too late to do more than turn the lock upon a ravaged house—the bucket shop scandals of 1921 and 1922, for instance—but more often the persistent pressure of this highly critical minority compels timely action or at least checks the evil with the threat it holds.

Detection of Abuses Vital

Thus to preface a series of remarks concerning the investment trust might carry the impression that a serious situation exists in this field. Such an impression would be furthest from that which the writer desires to convey. On the contrary, the investment trust, as an American institution, has registered notable progress along substantial and truly legitimate lines. The question at issue, rather, is the detection and elimination of incipient abuses which have crept into the new field.

When the investment trust made its appearance in the United States shortly after the close of the war, it was received with a form of mild curiosity not unmixed with indifference and tinged with a degree of scepticism hardly characteristic of American tendencies. True, the first American trusts were quasi-private affairs into which reputable old banking houses invited the capital of their clients. One of these, the first American trust, was organized so quietly that even some early pioneers who came into the field soon after were unaware of its existence. Perhaps more than any American trust since organized, this investment trust, unfortunately since liquidated (with profit to its subscribers), represented the true fiduciary spirit of the typical British trust.

Important Differences

But it was not long before the idea began to win popular attention. Trusts were organized along lines which constituted partial departures from the British trusts which they were represented to imitate, yet these adaptations, more accurately sounding the peculiar psychological susceptibilities of the American investment public, served the useful purpose of compelling a rather favorable attention. These were the "fixed" trusts in which seasoned securities in fixed and definite amounts were impounded with trustees to represent "units," undivided shares of interest in which were sold to the public. The form of trust which more closely followed the British pattern, that is, the "open" or "blind pool" trust, in the meanwhile was being quietly nurtured and finally achieved its full share of recognition.

Now both forms of trusts are being questioned for their particular and individual susceptibility to certain varieties of abuses, the fixed trust on the ground that the investor is obliged to pay an exorbitant charge for the diversification afforded by its shares over and above the equivalent market price of the collateral which they represent; the open trust on the score that the comparative freedom which their managers enjoy in the investment of funds may too easily be abused.

The "Fixed" Trust

With respect to the "fixed" or collateral type of trust, the critics contend that the investor is called upon to pay too dearly for diversification. An investment trust of this type, liquidated some time ago, was originally sold to the public at a price of $12 per share. At that time, the market price of the collateral behind each share was about $10.80. The difference of $1.20 per share represented the cost to the investor of the diversification afforded by each share.

Now this $1.20 represented an added cost of slightly more than 11% over the market price of the collateral and this percentage provoked the wrath of the opposition. Why, they asked, should the investor be mulct for that extra 11%? And to be sure, if, perchance, his fund was insufficient to purchase at least one share of each of the fourteen stocks included in the unit, then surely, his few pennies should be safely deposited in the nearest savings bank.

The sponsors of the fixed trust offered a not unreasonable rejoinder. What diversification could be accomplished in the direct investment of twelve dollars? And who was to say that the small investor with but twelve or perhaps one hundred and twenty dollars to invest had not the right, as well as the mightiest man of wealth, to purchase, in the only way he could, what was the equivalent to a diversified group of the country's outstanding standard stock investments? And as for the alleged exorbitant profit of $1.20 per share, they were able to show, in black and white, that various expenses including trustees' fees, printing of certificates, counsel fees, etc., absorbed all but 21 cents, and that out of these 21 cents had to be met the expenses of selling the share and maintaining their own organization.

Today, few organizers of fixed collateral trusts find it necessary to raise the "ante" as much as 11%. The guiding spirit of an organization now engaged in organizing such a trust feels that he can afford to do business on a 6% spread, out of which he will have to pay trustees' fees, selling and other expenses.

"Trade Secrets"

The extent to which managers of fixed collateral trusts depend, for a little added profit, upon taking a temporary position, either long or short, in the securities placed behind each unit is one of the "trade secrets" into which one might as well inquire as inquire

into the secret formulæ of the alchemists. The answer will be negative. Yet, a not entirely unobservant writer has noticed, upon occasion, the hushed air of secrecy pervading rather frequent conferences between some managers and the stock brokers engaged to execute order for securities intended to go into investment trust units.

Like the cynics of old: "We profess to know nothing, not even that we know nothing." But dealers' interim receipts for shares which themselves cannot be issued under most trust agreements until collateral has actually been deposited against the unit, might obviously prove convenient instruments in the hands of practiced operators,—this much cannot be denied. And as for taking a long position, that, of course, is a matter which cannot possibly interest anyone unless by some chance of error the cost instead of the current market price of such securities in which a position is taken should be used as the basis of computation in fixing the price of the shares when these securities have depreciated slightly in the market.

Such things can be done. The sovereign and empire state of New York has risen to say that she will ascertain whether this and other equally interesting things have been or are being done in the organization and management of investment trusts.

"Open" Trusts The critics discharge the second shell of their double-barreled gun at the open type of investment trust. Here, they say, is the great, the consummate germ of temptation, because the manager of the open trust has wide discretionary powers the limitations of which are rarely sufficient positively to prevent manipulation in his own interests.

In England, they say, where peers and social scions pledge the honor of their names to the honest management of fiduciary undertakings, the discretionary trust is practicable. But here the great mogul before whom all Americans bow rules conscience—here is no place for entrusting failing men with such powers.

The charge, of course, is crushed by the very weight of its absurdity. Because neither does the history of British trusts prove them to have been utterly free from the depredations of dishonesty, nor does our own financial history prove American financial conscience second to any other national financial conscience to be found among all the nations of the earth.

It is rather that the investment trust, in this country, has been "promoted"—that its development has reached a point where it stands conspicuous as a convenient tool for the ready grasp of a particular species of financial adventurer whose keen perception of public psychology gives him a temporary advantage. In the years of the war and immediately following, these gentry were vociferously announcing to a gullible audience that every dollar invested in "Texcolumexia Oil" would return a hundredfold in a golden gush, or that "Canalaska Copper" would educate their children and assure the comfortable old age of which they had always dreamed. Or perhaps a clever mail campaign or telephone "canvass" would bring "market" orders to be thrown into the "bucket."

But times have changed. District attorneys have become heartless, and the public has become cautious, and the great recognized exchanges have become relentless, and the banks have become discriminating and there is so little for our glib tongued friend to do. So casting about for a suitable occupation, he lights upon the investment trust ("he" being perhaps a short dozen of him to date) and decides to give this new "game" a "fling."

The Danger Here is the real danger which confronts the investment trust. Not an extra per cent or so of profit, not discretionary power which is an inherent factor in the fundamental theory of the investment trust and which is safe enough in the hands of the reputable banker. Happily, thus far the infiltration of undesirables in this legitimate field of finance has been limited,—one might almost say negligible except that such things are never negligible. But that such infiltration has occurred is undeniably apparent to those who are closely acquainted with the situation and who know their "characters" in the field.

Must the truly fine and reputable men now devoting themselves to honest and efficient service in the development of the investment trust suffer the humiliation of the stigma which the undesirables may yet bring upon the movement? And if not, what is the alternative?

A questionnaire issued by the Securities Bureau of the office of the Attorney General of the State of New York, among other details of organization and operation, requires the names, addresses, titles, salaries and other remunerations of all officers and directors of investment trusts operating in this state. Presumably, the answers submitted will furnish the evidence upon which to base a campaign of elimination against the undesirables. Presumably—but one knows the quips and dodges by which the embarrassing penetration of some questionnaires are so often avoided.

The remedy is in the financial district itself. A committee of men of undisputed standing drafted from the ranks of bankers and investment dealers should be organized to ferret out the undesirable element that has made its appearance in the investment trust field and to bar others who even now are casting longing eyes upon this virgin pasture. The unofficial recommendations of such a committee, based upon the intimate knowledge which its members would possess of the financial district and its personalities, would be of inestimable aid to the Attorney General's office in accomplishing the work of purification and preservation. This seems the sensible thing to do at this time.

Cement Industry Encounters Over-Production

Two Leading Companies Compared

By WARREN BEECHER

International Cement Corp.

Years Average	Net Earnings (Millions)	Earnings* Per Share Common	Price Range High	Price Range Low	Div. Rate	Yield %
1920-1923	1.79	$3.12	37	26	$2.72	8.6
1924	3.05	5.37	59	40	4.00	8.0
1925	3.97	5.90	81	52	4.00	6.0
1926	4.35	6.16	72	44	4.00	6.9

* Basis of present capitalization. Recent price 56.

Penn.-Dixie Cement

In view of the recent organization of this company and the paucity of information relative to its predecessors it is impossible to give little more than current statistics.

Working capital, 5.8 millions.

	Net Earnings Pred'ssor Cos. (Millions)
1923	3.56
1924	3.95
1925	4.76
1926	5.20

Price Range	Common High	Common Low	Preferred High	Preferred Low
1926	41	38	100	99
1927	39	23	100	93

Dividend Rate

1926..... $3.20

1927..... 2.00 (current)

Recent Price 26

Present Yield 7.7%

Earned on market price 4.5% (Based on first 6 mos. earnings)

NO manufactured product better typifies American enterprise than portland cement. A quarter of a century ago the country was almost entirely dependent on imported European cement for its then modest requirements. Soon after, the tremendous advantages of concrete in strength, economy and speed of construction began to be appreciated. In 1926 the one hundred and fifty cement plants in the United States produced 164 million barrels of this product—more than the total output of the rest of the world combined.

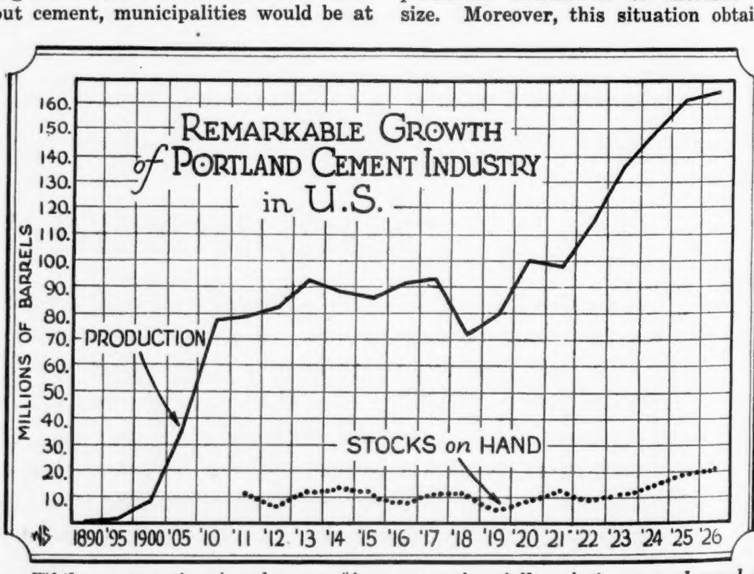
The magnitude of the cement industry needs little emphasis, however, its product is too evident on every side. Concrete is a part of the house we live in, the pavement we walk or ride on, the building we work in. It enters in varying degrees as an essential in nearly all industries. The farmer needs cement for his concrete silo, his well curbing or barn foundation; the manufacturer for factory construction or heavy machine setting.

Out of concrete the shipper constructs his docks and warehouses, the railroad company its platforms, piers, bridges and more recently is even trying it for road-bed construction. Without cement, municipalities would be at loss for material from which to construct sewerage systems, reservoirs and water mains. Concrete is conserving thousands of feet of timber in supplanting wood for electrical transmission lines, fence posts, etc. Without concrete, dams the hydro-electric projects would be economically impracticable if not physically impossible.

The Fly in the Ointment

In all of this vast demand, accentuated in recent years by the building boom which has swept the country and the ever-growing needs of new highways by the increasing number of motorists and the volume of motor truck and bus transportation, it is natural that the cement industry should experience rapid growth. Capital has been readily available for new plants and expansion of existing facilities. Yet, herein is found the fly in the ointment. For despite the steadily widening market for cement, productive capacity has more than kept pace with it.

Indeed, the annual output, except in one or two years, has exceeded consumption figures by an increasing margin, with the result that stocks show a persistent inclination to increase in size. Moreover, this situation obtains



While consumption for the past fifteen years has followed the upward trend of production, in one or two years even exceeding it, the general tendency has been for shipments to run increasingly less than output with the result that stocks on hand at the end of 1926 were the highest on record.

even though the average rate of operations is considerably lower than the theoretical maximum. Thus, during 1926 when 164 million barrels were produced, the theoretical capacity output of all plants in operation was close to 210 million, representing an average rate of operation of only about 78%. Judging from plans for further expansion already underway it is estimated that by the end of this year the total possible output will have risen to 215 million barrels.

High Consumption and Prices

Since 1925 the country has witnessed one of the greatest building booms of its history. New construction of all kinds: commercial, industrial, public works and residential have combined to roll up record totals. To a large extent, the concomitant high consumption of cement has tended to sustain the price level and enabled the better managed and larger companies to make very creditable showings. During the current year the volume of building has held to large proportions, but at the same time has given unmistakable evidence of having passed its crest. August, 1927, is some 8% below the corresponding month of last year in point of contracts let. In view of this lowering trend in the building volume, the increase in cement stocks on hand and the continued expansion of manufacturing facilities of the industry, it is not strange that cement prices have evinced a downward trend in consonance with other building materials. In fact, the average price so far this year is the lowest since 1922. Price reductions in January have not since been adjusted upward but continue about 3% lower than last year's levels.

While this price trend is naturally a handicap to favorable earning records of cement companies, at the same time there is an extenuating factor in the form of prospective sustained demand. That is to say, there are grounds for believing that present demand will continue close to present levels for some time to come. It has already been stated that whereas the height of building activity has passed, construction under contemplation is still of very large proportions, and there is little basis for expecting other than sizable building volume for many months to come. In the second place, the road construction program in nearly every state indicates a long continuation of activity in this direction. Pavings and highways at present take 27.5% of total cement output and the satisfactory service and long life rendered by concrete roads already built is strongly indicative of even wider use of this type of road construction.

Taking all these factors into consideration, however, it appears that the path of the cement manufacturer generally is not as rosy this year as last. Conditions are such as to emphasize the strong and weak points in most companies. Hence, it is of timely in-

(*Please turn to page* 1052)

Preferred Stock Guide

These stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range		Recent Price	Yield %
				High	Low		
RAILROADS							
Baltimore & Ohio	4 (N)	7.8	No	73	52	80	5.0
Chicago & North Western	7 (N)	6.2	No	126	97	139	5.0
Colorado & Southern 1st	4 (N)	8.9	100	66	47	76	5.2
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	F106	F83	107	5.6
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	S4.6	110	X104	X92	107	5.6
North American	3 (C)	7.3	55	52	38	53	5.7
Philadelphia Company	3 (C)	6.5	No	51	41	53	5.7
Public Service New Jersey	8 (C)	3.0	No	124	95	132	6.0
INDUSTRIALS							
American Smelting & Ref.	7 (C)	3.3	No	122	86	130	5.3
American Steel Foundries	7 (C)	7.4	110	115	97	113	6.2
Associated Dry Goods 1st	6 (C)	4.8	No	102	75	110	5.4
Baldwin Locomotive	7 (C)	3.3	125	119	104	124	5.6
Brown Shoe	7 (C)	4.4	120	111	85	119	5.9
Endicott Johnson	7 (C)	4.9	125	120	104	124	5.6
General Motors	7 (C)	12.0	125	122	79	125	5.6
Inland Steel Co.	7 (C)	F8.0	115	F115	F96	116	6.0
Studebaker Corp.	7 (C)	26.8	125	125	100	123	5.6

For Income and Profits

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	High	Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	74	5.4
Kansas City Southern	4 (N)	4.8	No	68	53	71	5.6
Pere Marquette Prior	5 (C)	10.2	100	96	63	97	5.2
St. Louis-San Francisco	6 (N)	12.0	100	97	34	101	5.9
St. Louis Southwestern	5 (N)	2.6	No	80	32	86	5.8
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	H3.3	100	H89	H48	86	7.0
Continental Gas & Elec.	8 (C)	T4.0	110	T105	T94	109	6.3
Engineers Public Service	7 (C)	S2.4	110	X99	X94	105	6.7
Federal Light & Traction	6 (C)	5.0	110	H91	H74	99	6.1
Kansas City Pr. & Lt.	7 (C)	T3.1	115	F110	F91	115	6.1
Hudson & Manhattan R. R. Conv.	5 (N)	5.9	No	80	25	86	5.8
West Penn Electric	7 (C)	....	115	X102	X95	111	6.3
Standard Gas & Elec.	4 (C)	2.5	No	57	41	64	6.3
INDUSTRIALS							
American Cyanamid	6 (C)	3.6	120	96	52	93	6.5
American Metal Co., Ltd.	7 (C)	8.0	110	120	103	110	6.4
American Sugar Refining	7 (C)	1.6	No	110	84	115	6.1
Associated Dry Goods 2nd	7 (C)	6.9	No	110	76	110	6.4
Bethlehem Steel Corp.	7 (C)	3.1	No	105	87	117	6.0
Bush Terminal Buildings	7 (C)	1.1	120	103	87	116	6.0
Central Alloy Steel	7 (C)	....	110	X107	X106	109	6.4
Cuban American Sugar	7 (C)	6.9	No	106	68	106	6.6
Deere & Co.	7 (C)	F1.7	No	110	61	116	6.0
Devoe & Raynolds 1st	7 (C)	T6.1	115	F100	F90	110	6.4
Genl. American Tank Car	7 (C)	3.3	110	109	86	111	6.3
Gimbel Brothers	7 (C)	4.2	115	114	93	106	6.6
Goodrich (B. F.) Co.	7 (C)	3.1	125	102	67	109	6.4
International Silver	7 (C)	2.8	No	108	90	.118	5.9
Pillsbury Flour Mills	6½ (C)	....	110	‡106	‡104	106	6.0
Reid Ice Cream	7 (C)	T6.9	110	T100	T93	105	6.7
U. S. Cast Iron Pipe	7 (N)	5.0	No	118	50	114	6.1
U. S. Industrial Alcohol	7 (C)	4.3	125	115	89	117	6.0

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	High	Low	Recent Price	Yield %
RAILROADS							
Gulf, Mobile & Northern	6 (C)	1.6	No	109	16	111	5.4
Wabash "A"	5 (N)	....	110	78	19	96	5.2
PUBLIC UTILITIES							
Electric Power & Light	7 (C)	1.7	110	99	89	106	6.6
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	T97	T80	107	6.5
Consolidated Cigar	7 (C)	4.4	110	107	47	102	6.9
Goodyear Tire & Rubber w.i.	7 (C)	....	...	...	...	98	..
International Paper	7 (C)	1.6	115	T100	T86	104	6.7
Mid-Continent Petroleum	7 (C)	8.1	120	109	80	104	6.7
Orpheum Circuit Conv.	8 (C)	8.0	110	107	84	105	7.6
Radio Corp. of America	3.5 (C)	F3.6	55	F54	F40	54	6.4
United States Rubber	8 (N)	....	No	109	66	102	7.8
U. S. Smelt., Ref. & Mng.	3.5 (C)	1.2	No	50	38	51	6.8
Universal Pictures 1st	8 (C)	7.6	110	T103	T90	101	7.9
Victor Talking Machine Prior	7 (C)	S5.4	115	‡100	‡97	97	7.2

† Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year. X—Price range 1926. § 1922-1926. C—Cumulative. N—Non-cumulative. ‡ 1927.

Possibilities of the "Unlisted" Market

Broad Range of Securities Represented Over-The-Counter—Opportunities for Speculation and Investment

THE financial history of American markets is replete with romantic tales of great fortunes gained from modest beginnings through the exercise of patience and good judgment. A classic example recently was brought to light by one of the leading metropolitan dailies in one of those popular anecdotes of New York's "millionaire strap-hanger" whose humble investment of $65 in a share of Singer Sewing Machine is said to have netted him a fortune of $94,500 in sixty-three years.

Aside from its interest as a story of thrift, this news item supplies a most interesting commentary upon one of the country's most important though unorganized security exchanges, the over-the-counter or unlisted market. Singer Sewing Machine is one of its oldest and best known representatives and while it would be misleading to say that this instance of phenomenal price appreciation is typical, it is not entirely exceptional. Remarkable price advances in unlisted stocks during the past few years have fully matched the bull movements on the "Big Board," though they have probably attracted much less attention.

The over-the-counter market, in the nature of things, receives much less publicity than the organized exchanges and hence is not as fully appreciated as it should be. In respect to industries represented and securities dealt in, it closely rivals the New York Stock Exchange and in some respects surpasses it. Since formation of the Unlisted Security Dealers Association and establishment of a central bureau for supplying uniform daily bid and asked prices of the more important unlisted stocks, investors have been better able to follow this vast market. But it still lacks that appeal to the popular imagination associated with the New York Stock Exchange, which follows from its excellent ticker service and the "free advertising" attending daily transactions on the greatest of organized exchanges.

The prospective investor in unlisted securities, nevertheless, has every variety of issue to select from, running the whole gamut from oils to insurance and bank stocks. The problem of proper selection is much the same since the list of available issues varies, as in all markets, from very dubious speculations to the highest grade investment securities.

Little Manipulation

Manipulation, or rather speculative activity, in the manner peculiar to listed stocks, is little known over-the-counter since there is not the ready means for determining price fluctuations that exist on the Stock Exchange or the Curb. This is an advantage in some respects, though the absence of a large speculative following has disadvantages also since there is some loss of daily turnover and unlisted stocks as a result do not possess the same high average degree of marketability as do those listed on the Big Board.

Since there is no means of keeping informed in respect to daily price fluctuations, unless the buyer of unlisted stocks chooses to annoy his broker with frequent telephone calls, he gets fewer thrills than the trader on the "Big Board" where each moment's fluctuations are faithfully recorded on the tape. Accordingly, over-the-counter investors buy their stocks outright and hold them patiently with a view to long pull investment for the most part.

The lack of prompt information as to price changes, of course, militates against the popularity of unlisted issues. The investor must be willing to recognize these peculiarities of over-the-counter stocks but if he brings the same judgment to bear upon selection in this market as to any other, he has equally good and sometimes greater opportunities for profit. Many of the stocks now holding positions of speculative or investment leadership upon the "Big Board" spent their formative period over-the-counter.

Bank and Insurance Shares

The spectacular bull market in public utilities two years ago was largely an over-the-counter performance and the noteworthy rise in bank and insurance shares has been practically an exclusive feature. In fact, the unlisted market has an almost complete monopoly upon dealings in the latter group of stocks. Very few of the financial group, which includes fire and life insurance and title and surety securities as well as bank stocks, are found in the "listed" market.

Trading in some of these on the New York Stock Exchange has increased since "Post 21" was established and the unit of trading in inactive stocks was made ten shares instead of one hundred. By far the greater percentage of trading in financial stocks continues over-the-counter, however. In fact, it seems likely that this particularly class of securities will remain there.

Despite occasional incursions of the New York Curb in the field of over-the-counter stocks, and graduations to the New York Stock Exchange, there is small danger that the unlisted market will cease to hold an important place in the scheme of things financial. Its functions are vital and fundamental inasmuch as the securities of numerous companies could find their way into the hands of the public through no other channel. These are the stocks of concerns which, as a matter of fixed policy, prefer not to take the public into confidence on the score of earnings or financial position and sometimes both.

Though it might be assumed that the securities of such companies are unacceptable to investors because of this reluctance to disclose vital information about themselves, over-the-counter buyers have found this obstacle no serious bar to the business of separating the sheep from the goats. Many favorite unlisted investment stocks are known solely by their splendid dividend records and by reputation, factors that have served to classify them almost as well as intimate statistical data.

Functions of Broker

Moreover, if the buyer of over-the-counter stocks lacks the ready information available in the case of New York Stock Exchange listings, he is not wholly helpless. His broker frequently stands him in good stead where competent information and advice are desired. The unlisted broker is really a dealer and in most instances specializes in certain issues or groups of issues. By virtue of long association with the stocks in which he deals, this specialist acquires a keen perception of values and an intimate knowledge of conditions surrounding his "pets" so that counsel from this source is very often more intimate and frank than can be expected in the case of the commission broker.

Unlike the stock exchange member, who derives compensation for his services through a fixed charge levied on each transaction enacted for customers, the unlisted dealer must depend upon his skill in trading for a competence. That is to say, he is usually compelled to take a "position" in the stocks which he undertakes to buy or sell for clients.

Prices realized by the investor or trader are net without deductions for commission, since the unlisted dealer, through knowledge of markets, endeavors to buy at a slightly lower price than he charges his customer or sell at a somewhat higher. This is an entirely legitimate procedure, of course, since the dealer in over-the-counter issues must depend upon the spread between buying and selling, or bid and ask prices, to cover his expenses and a fair margin of profit.

The difference or spread between bid and asked quotations is determined by the character, price and activity of the individual security and to some extent by prevailing general market conditions. Naturally, it is wider in the case of high priced stocks and more extreme among very inactive issues. Unless otherwise stated, quotations over-the-counter are understood to be nominal. That is, a quote of 70 bid does not always mean that a prospective seller will be able to realize that price. It merely signifies that the dealer is willing to do business around such a figure and an actual trade cannot be consummated until the dealer quoting has an equivalent order to buy. A completed trade, accordingly, may be made at some slightly different price than the one originally quoted, inasmuch as the dealer must shop around for his customer until he can locate a buyer, and vice versa where a buying order is given.

The Marketability Factor

It may be stated as a general rule that the gap between bid and asked quotations of unlisted stocks is greater than among those active on the leading exchanges, partly because of the limited public following and also because speculative manipulation as it is ordinarily known is decidedly more subdued. Stated in another way, unlisted stocks do not enjoy the same high factor of marketability possessed by the listed variety. Hence they appeal primarily to the type of investor who buys outright for a long pull and solely upon the basis of merit.

This is not to say that speculative opportunities are not present. On the contrary the careful student of values will often find virgin possibilities among unlisteds for over-the-counter is more than a supplement to the organized exchanges. Not alone does it provide a market for securities of companies which are reluctant to disclose the information in respect to earnings and finances requisite to listing on the Big Board but also for stocks that are unacceptable for listing because they have not attained wide public distribution. More than this, however, the unlisted market is a great proving ground where many new issues are put through their paces and groomed for eventual transfer to the Big Board or where meritorious but minor companies seek and secure funds for launching new activities and development.

Thus, unlisted stocks include every type from seasoned, high grade investments to new and untried speculations, covering practically every industry. The bull market over-the-counter has, in consequence, run concurrently with that on the organized exchanges, less conspicuously, perhaps, but none the less vigorously. Substantially the only points of difference between it and its better known rivals are to be found in the greater consistency of movement characteristic of unlisted securities due to the absence of wholly manipulated, speculative movements. Fundamentally, however, the same basic influences will be found at work so that, in appraising the prospects of the over-the-counter market in its entirety, the investor must apply the same reasoning that he would to any other broad security mart. A reasonable stock of patience, however, must be added to judgment if the best results are to be secured.

Twenty-two Over-the-Counter Securities of Investment Caliber

Bonds

Name	Int. Rate	Approx. Price	Yield
Adirondack Pwr. & Lt. 1st & Rf., 1950..	5½%	104	5.20
American Meter Deb., 1946.............	6	102	5.80
Equitable Office Bldg. Deb., 1952.........	5	92	5.60
Jersey Central Pwr. & Lt. 1st & Ref., 1945	5½	102	5.35
North Carolina Pub. Serv. 1st & Ref., 1956	5	97	5.20
Pierce, Butler & Pierce 1st, 1942.........	6½	104	6.09
Puget Sound Pwr. & Lt. 1st & Ref., 1949..	5½	102	5.34
Standard Gas & El., 1935................	6	101	5.83
Wisconsin Pub. Serv. 1st Ln. & Ref., 1958..	5½	104	5.24
Woodward Iron 1st Cons., 1952.........	5	90	5.75

Stocks

Name	Div.	Bid	Asked
American Cyanimid	$0.90	30	40
American Meter	5.00	103	110
Babcock & Wilcox	7.00	113	115
Borden Co..............................	5.00	125	128
Cleveland Elec. Ill.......................	10.00	322	325
Commonwealth Edison..................	8.00	151	152
Dixon Crucible..........................	8.00	158	165
Hercules Powder........................	8.00	189	195
New England Tel. & Tel.	8.00	136	139
Phelps-Dodge	6.00	119	123
Ruberoid Co.............................	4.00	68	70
Safety Car Heat. & Lt.	8.00	130	135

Kennecott *Anaconda* *Cerro de Pasco*

Three Sound Metal Stocks

Copper Situation Appears Well in Hand—Improving Prospects for Industry—Three Leaders Analyzed

By FERDINAND OTTER

WITH the big producing interests at last co-operating in the control of production, the statistical position of copper is undergoing a steady improvement, and copper prices show the strongest undertone in months. Naturally the better metal market is being reflected in a long delayed advance in the leading copper shares. With the commodity once firmly established at or above the 14-cent level, dividend increases in a number of instances probably will follow. The coppers as a group still offer some highly attractive dividend yields; semi-investment funds are being attracted, and promising speculative situations are being brought to light. Although a number of special issues have enjoyed good advances during the past few years, the bull market has been less intensive in the mining division than in most other departments; hence, measured by the price of other industrial stocks, the metal shares seem conservatively priced.

American production reached its peak in January, 1927, at 133,110 short tons. It dropped gradually to 113,233 tons in June, amounting to 119,786 tons in August. In August export and domestic shipments made a record-breaking total of 261,040,000 pounds, a gain of 40,830,000 pounds over July. At the end of August refined stocks of metal were at the lowest point of the year at 187,308,000 pounds against 208,776,000 pounds at the end of July.

If the big producers resist the temptation to quarrel among themselves and do not let down the flood-gates of production at the first sign of rising prices, the outlook for copper shares will continue satisfactory and representative mining issues should sell substantially higher.

We have selected Anaconda, Kennecott and Cerro de Pasco for individual discussion. These three companies represent over 40% of the world's copper producing capacity (as distinguished from current production), and their shares are bound to reflect such further improvement in the metal situation as may occur.

Anaconda's Steady Growth

Shares Offer Appeal from Long-Pull Viewpoint

ANY company which controls 20% of the copper producing capacity of the world, more than 10% of the world's zinc output, produces 5% of the world's silver, and in addition is the biggest copper products manufacturer, can justify a large capitalization. It may be unfortunate that so large a percentage of Anaconda's capitalization is in bonds, but there is a compensating benefit in the fact that there are but 3,000,000 shares of stock issued. Three million shares looks decidedly small in opposition to the size of the enterprise. After bond interest and other charges have been covered, per share earnings mount rapidly with rising prosperity in the industry. For instance, the difference between 14-cent and 15-cent copper probably would mean between $1.75 and $2.00 a share in earning power. For such a complex organization, of course, anything like exact computations of this kind are impossible.

Anaconda influence dominates the American copper fabricating business, controls practically the entire Butte camp, rapidly is becoming the controlling factor in the silver-lead districts of Utah, is represented by more producing capacity in South America than any other company, extends to the zinc mines of Poland, and is represented by stock ownership in Nevada Consolidated, Inspiration, Greene Cananea, Butte Copper & Zinc, Walker Mining Company, Park Utah, and a host of smaller companies. It always is being extended, frequently into highly profitable situations.

Right now the great Andes Copper Mining Company development is coming into production on a highly satisfactory basis, promising eventually to become a factor in the world copper situation comparing with Braden, Chile Copper (which Anaconda already controls) and the Butte camp, which still is the base of Anaconda's operations.

Much of the effort of the management during the past five years has been devoted to correlating and unifying the various operating divisions of the Anaconda System, but eventually, and probably before long, the results of this bold industrial endeavor are bound to be reflected in a much larger earning power for Anaconda's shares. Funded debt is being reduced through sinking funds, and sooner or

Three Copper Stocks Compared

	Anaconda	Kennecott	Cerro de Pasco
Recent Price	49	77	67
Annual Dividend	$3.00	$5.00	$5.00(a)
Approx. Yield	6.1%	6.5%	7.5%
Estimated 1927 Earnings Per Share	$4.50	$6.00	$5.00
Ratio Earnings to Price	9.2%	7.8%	7.5%
Current Output Per Share	85 lbs(b)	130 lbs(c)	80 lbs
Capacity Output Per Share	(d)	155 lbs(c)	(d)
Funded Debt Ahead Stock	Yes	No	No

(a) Assuming usual extra of $1.00 is paid at end of year. (b) Butte properties only. (c) Share in output of subsidiaries partly owned pro-rated. (d) No good estimate available.

later probably will be cut down by $50,000,000 through the conversion of the 7% debentures into stock. Stockholders should be rewarded liberally for their long wait for larger dividends and higher share prices. In Anaconda there are the germs of another United States Steel or General Motors. As it took years to develop immense earning power for these two successes, it is taking years to develop this greatest mining enterprise in the history of the world.

Anaconda is expected to earn between $4.00 and $5.00 a share in 1927 which will compare with $4.74 a share in 1926 and $5.85 a share in 1925. Until copper sells above 14 cents there is little probability of any increase in the $3.00 dividend rate, but that distribution probably is safe so long as the metal keeps above 12½ cents. On 15-cent copper, Anaconda probably would earn close to $7.00, and might pay $5.00. A $5.00 dividend rate probably would lead to the conversion of all the debenture 7s outstanding, reducing funded debt by $50,000,000.

Because of the large funded debt ahead of it, Anaconda stock is more speculative than some of the other copper issues; but the shares probably would respond as readily to a general improvement in the metal situation as any. As a long pull speculation, they have definite appeal.

Kennecott a Highly Diversified Enterprise

"The Best of the Coppers"

KENNECOTT owns the entire capital stock of Braden Copper, a new South American porphyry, which is now producing at the rate of about 180,000,000 pounds per annum at a cost of around 6.3 cents a pound; 96% of the capital stock of Utah Copper, now producing at the annual rate of 240,000,000 pounds at a cost of less than 8 cents; a large, and perhaps a controlling interest in Nevada Consolidated, turning out about 220,000,000 pounds a year at a cost of about 10½ cents; the original Kennecott properties in Alaska, which now are approaching exhaustion; and the controlling interest in the short-lived Motor Lode Coalition. Including the pro-rated share in the output of Nevada and Mother Lode, the current output of the company is not far from 585,000,000 pounds or 130 pounds per share against a capacity of about 700,000,000 pounds, or about 155 pounds per share.

Aside from the Alaska properties, which probably will be pretty well worked out in a few years and which contribute not more than 9% of the total outturn, all the mines have ore reserves sufficient for many years of operation. Braden is said to have enough assured ore to last 50 years, Utah Copper 70 years or more, and Nevada at least 25 years. Utah's low costs are being obtained from ore averaging around 1% copper; but Braden is mining prophyry material understood to average 2.2%. The geographical distribution of risk is apparent—Braden in Chile, Utah Copper in Utah, Chino in New Mexico, Nevada Consolidated in Nevada, the original Kennecott and Mother Lode mines in Alaska.

With copper at 13¼ cents a pound, Kennecott's earnings are not far from $6 a share which compare with $5.80 a share in 1926 and $5.34 a share in 1925. Profits are higher this year in spite of lower metal prices, due to lower costs, especially at Braden where rather sensational progress is being made. Each advance of one cent a pound in the price of copper should add $1.30 a share to earning power even assuming no increase in the rate of operations. Operating at capacity, of course, the per share showing would be even more favorable.

Knowledge of favorable developments in South America evidently has been the inspiration for a great deal of "educated" accumulation in Kennecott during the past six months. Newmont Mining, the William Boyce Thompson "investment trust," for instance, is known to have added substantially to its already large holdings; and interests closely connected with the management are believed to have made large purchases for investment. Such buying goes a long way to explain the recent strength in the issue, which is selling at a new high record price as this is written.

The "past performance" of Kennecott's management is significant. Only a few years ago the stock was selling below 20, being evidence of ownership in relatively small Alaska properties only—properties of a short indicated life and providing a capacity of less than 50 pounds per share. In half a decade capacity per share was more than doubled by a series of bold but well conceived mergers which extended the productive life of the properties at least 50 years, made the company the world's largest "simon pure" producer, and reduced average costs to around 8 cents a pound.

Preceded by no bonds or preferred, representing a most unusual distribution of mining risks, indicating ownership in two of the world's lowest cost copper mines (Braden and Utah), and secured by ore reserves which probably will not be worked out in the career of anyone now buying stocks, Kennecott shares possess an investment flavor uncommon in the mining industry. There are good reasons why this stock should be regarded as "the best of the coppers."

One of the Oldest Mines

Cerro de Pasco's Shares Conservatively Priced and Offer Good Market Possibilities

CERRO DE PASCO is not an easy company to understand, and even after one understands it it is a difficult matter to explain it. Copper production costs at this old Peru property, worked ever since the white men have been in America, are influenced chiefly by the price of copper mining by-products such as silver, lead and zinc, the income from which the management credits against expenses. The decline in silver prices in late years has resulted in an increase of nearly 2 cents a pound in the cost of producing the red metal, which is now costing about 7 cents a pound after depreciation but before depletion.

Current output is 80 pounds per share, indicating earnings of $5.00 a share on a 13¼ cent metal market. On the same basis it may be estimated that in 1926 the company earned $6.55 a share. After depletion (not deducted in the above estimates) Cerro earned $4.05 a share in 1926 and $5.36 a share in 1925. The reader will recognize that the estimate for 1927 is based entirely on unofficial figures and therefore is subject to revision; probably it leans toward conservatism.

Dividends at the rate of $1.00 quarterly are being paid on the 1,122,842 shares of capital stock outstanding which constitute the company's only capital liability, and in both 1925 and in 1926 an extra dividend of $1.00 a share was paid at the end of the year. In view of the company's easy financial position (net working capital was $23.65 a share at the end of 1926) there is reason to expect the extra distribution to be continued in 1927. In other words, Cerro de Pasco evidently may be considered a $5 stock.

No estimate of probable life is practical. It is understood that developed ore reserves are sufficient for about seven years of output at the current rate, but the ore reserves of vein properties never can be estimated with any degree of accuracy and much of the company's large acreage is almost wholly undeveloped in the modern mining sense. Suffice it to say that the company owns the greater part of the whole Cerro de Pasco district, high up in the Andes Mountains of Peru, a territory which for centuries has been a veritable treasure house for non-fer-

(*Please turn to page* 1079)

Employment After Forty

UNDER the guidance of one who terms himself "Mr. Action," a recently formed and apparently non-commercial organization has attracted considerable attention because of its unusual purpose, which is to find employment for those over forty years of age. Realizing that age frequently presents a serious obstacle to those seeking employment, though they may be endowed with unusual ability or skilled through long experience, this organization is attempting to remove, or at least alleviate, the common prejudice of business executives against employing those past the first blush of youth. It is an undeniable fact attested by some of the most prominent and successful companies that with few exceptions business prefers to employ young people whose best years of mental and physical vigor unquestionably lie before them.

Apart, however from the merits of the case from the standpoint of the employer and with full acknowledgment of the unquestioned worthiness of the cause, it is an inescapable conclusion, confirmed by recent statistics of life insurance companies, that a vast number of people in the country, many of them considerably past forty find themselves in the unfortunate predicament of seeking a new opportunity for livelihood. The thought suggests itself that doubtless only a small proportion of these individuals have made any provision for the present contingency. Steady employment or regular income are prone to foster a sense of security. As a result, many of this army of unemployed have followed no definite plan of saving and investing to provide for misfortune, old age or incapacity.

No matter how successful and efficient Mr. Action's or any similar movement may prove to be, there is bound to be some interim of unemployment. At this time the comfort of some income, apart from that derived from daily work, or the sense of security associated with previously accumulated reserve can hardly be estimated. The return from previously invested funds, the insurance policy with its potentialities for a loan or even the nest egg in the savings bank are at such time veritable pillars of strength.

Without attempting too much moralizing we might well paraphrase the adage of the war lords —"In times of peace prepare for war" to read: "In times of prosperity prepare for adversity."

BYFI *Plain Talks*

"Errors and Omissions Excepted"

The Familiar Mark, E. & O. E., Meaning That You Must Always Be on the Lookout for Errors in Your Broker's Statement Is Discussed in the Seventh Plain Talk

By STEPHEN VALIANT

SOMEWHERE on the monthly statement that you receive from your broker there appears either the abbreviation E. & O. E. or the full phrase for which it stands "Errors and Omissions Excepted." This must not be construed to mean that no responsibility is assumed for mistakes. Quite the contrary is true if you have taken care in selecting as your broker only a firm of highest repute and reliability. E. & O. E. is more in the nature of a warning by means of which the broker says that although he has exercised due diligence in the transaction of your orders, in the correct accounting of your funds and in the checking of the statement itself, there is always a chance of error or misunderstanding. In other words, he admits human fallibility and conveys to you the necessity for verifying your statement in comparison with your records, using the same care that is demanded in any other business transaction.

Your careful checking of the broker's monthly statements is fully as important as the verification of your monthly bank statement. More so in fact, for whereas the bank is dealing with tangible evidence written in the standard form of checks and notes, the broker has accepted your telephoned or verbal orders or others, perhaps hastily or illegibly written. Thus the way is always open for misunderstanding or misinterpretation.

For every transaction you have made during the month you have, or should have, received a written confirmation giving all essential information relative thereto. These confirmations are, in a sense, the loose-leaf units out of which your monthly statement is built.

They state, of course, the name of the security and number of shares bought or sold as well as the time of execution, the name of the brokerage firm from whom purchased or to whom sold, extension of the total sum of money in the transaction, broker's commission, stamp tax and total debit or credit to your account. If it is a bond that is being bought or sold "and interest"; the amount of accrued interest for which the customer will be debited on a purchase or credited on a sale will be included in the total debt or credit, but there will be no stamp tax. It is also common practice to add to the confirmation, a statement of the amount of interest charged for the use of funds involved in margin transactions and to credit dividends paid on long stock.

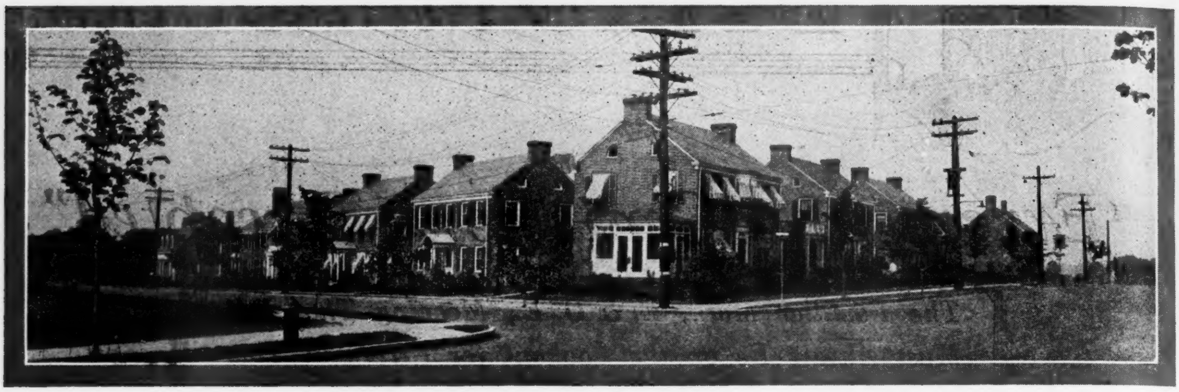
Verbal Orders Lead to Mistakes in the Account

Assuming that you have verified each of these confirmations of orders executed on its receipt, which is usually on the day following the transaction; now compare them in chronological order with your statement noting the name of security, proper listing of purchase and sales and correct extensions of sums involved. Any errors previously occurring in confirmation slips should be corrected in the monthly statement.

In order to make the statement fully comprehensible, there are one or two facts and practices which it is well to bear in mind. For example, transactions are not entered into your account until the next full trading day following the execution of the order. Hence, orders consummated on Friday the 29th of a 31-day month would not appear at all on your statement for that month although you would, of course, be advised of their execution by the confirmation slip. Dividends on stock which you hold outright or on margin are credited to your account on the date payable. In the case of dividends on short stock, however, it is common practice to charge the account on the day the stock sells "ex." The broker does this to protect himself against the possibility of the accounts being closed before the date when it is actually payable.

It is well to remember that the broker is not necessarily your banker and interests allowed on the credit balance in small and inactive accounts can hardly be expected to be at the same rate as that applied to debit balances. By the same token in these small accounts, interest is seldom allowed on short sales nor are premiums on stock loaned credited even though premiums due on stock borrowed are invariably debited. Interest is always based on a thirty day month. It is cu tomarily computed for convenience at the rate of 6% and then adjusted to the rate prevailing during the month.

With these points in mind, if you discover what you are quite sure are errors in your monthly statement communicate with you broker at once. The ease with which mistakes are rectified or adjusted is in direct proportion to the promptness with which you report them. If you find the statement is correct, the confirmation slips may be destroyed and the statement filed. At least a full year's statements should be preserved for income tax purposes.



The Home-Maker's Soliloquy---

Six Reasons Why It Pays to Own Your Own Home

By C. L. CLEAVER

I HAVE read with considerable interest the ability of some writers to make a clever presentation of Mr. Renter's case against Mr. Home Owner, and it seems that they unerringly placed their finger on the weak points in Mr. Home Owner's financial program. I will not undertake, by statistics, to refute the conclusions reached although I know by my own experience as compared with friends and acquaintances of similar means and opportunities who have not rented their homes, that there is an Ethiopian in the fuel supply somewhere. No doubt some of your BYFI readers who are good arithmeticians will submit a financial case that will result in a verdict in favor of Mr. Home Owner.

I do want to mention some matters, however, that should enter into the balance sheet. These are matters which I have not seen mentioned, except incidentally in any of BYFI's articles on this subject. They are sometimes difficult to appraise at their proper value but they are very real.

The Affirmative Side

TO revive an old discussion in this department, we are presenting the views of a reader who strongly favors owning his own home. His reasons—six of them with a few sound affirmative thoughts thrown in extra—are presented in a very emphatic and convincing manner. They get behind mere facts and figures and comprehend the real motives of the average home owner.

(1) A man who buys a modest home on installment payments does not ordinarily feel, when he secures a raise in salary or increase in his income, that it is necessary to move to a better neighborhood, a bigger and more modern home. With few exceptions I have noticed that when a flat dweller secures a raise of $500 or more per year, about the first thing he does is to move into a better neighborhood and pay half or more of his increased income in increased rent.

(2) The point is sometimes made that the home-owner's investment is not so liquid as Mr. Renter's. I think that this is a distinct advantage to the home-owner as it tends to stabilize him and prevent him from so readily considering offers of positions in distant cities which more often than not turn out to be less attractive than the position he has left. Other things being equal the man who sticks to one city and to one company or one line of business, usually progresses further than the man who is continually changing.

(3) Another advantage of the home-owner, due to this same circumstance, is that he is less easily tempted to put his funds into unsound and speculative securities. The home owner always has some of his gilt-edge notes to retire at the bank so that any bonuses, etc., that he receives can be invested safely and securely.

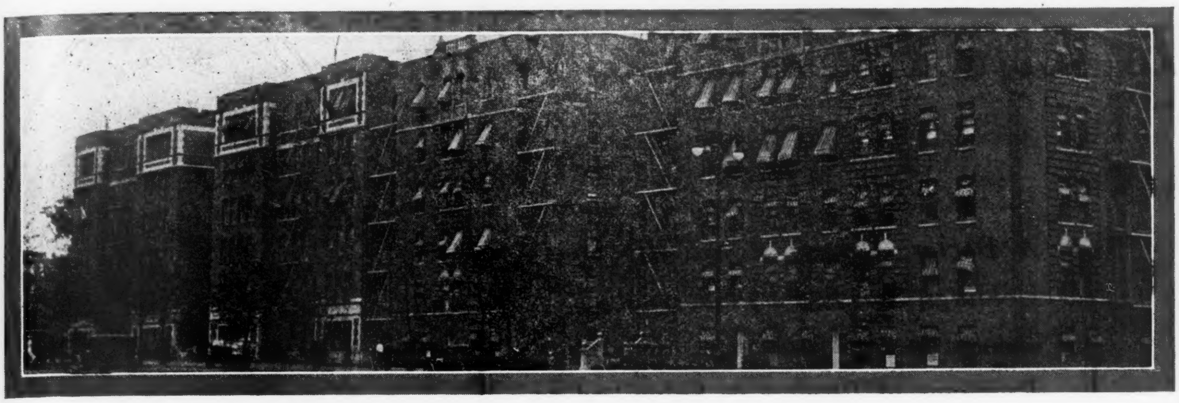
(4) Frequent moving expenses are no small items, at least in metropolitan cities and suburbs. In addition to the moving van, there are always new or different curtains, drapes, rugs and extra pieces of furniture to be bought for the new flat.

(5) A man in the employ of a large corporation, or in a small business of his own, is usually looked upon more favorably by his employers or his customers if he is a home-owner. Rightly or wrongly, I know from experience and observation that many large companies are inclined to weigh the item of home-owning when selecting men for more responsible positions.

(6) The home owner by reason of his direct contact with the coal man, the real estate man, his bank, the taxing agencies, etc., must necessarily familiarize himself with property values and business conditions in his neighborhood and this education is many times an asset that will benefit him quickly and directly.

I bought a bungalow in a suburb of Chicago seven years ago for $4,500. It is today worth at least $9,000, and I have put less than $1,000 into the property. The taxes and minor repairs and operating expenses have at all times been less than my friends who were renting flats of similar size and accommodations.

No mention has been made in the above of some of the intangible items, but they are the real dividends which accrue to the home owner. The fresh air, sunshine and comparative freedom of your own home, the exercise in caring for the lawn and the furnace, and cleaning the snow off the walks, are probably worth many hundreds of dollars to Mr. Home Owner.



To Buy or Not To Buy

I Would Rather Pay Rent Than Ownership Homage

By ARTHUR MILLARD

The Negative Side

To present this side of the home owning, home renting problem, the BYFI Editor sought out an old BYFI reader, known to be an eloquent spokesman for the Rent Payers' faction. Mr. Millard to use his own words, "Has always rented, is still renting and will continue to rent," and gives his reasons here for doing so.

THERE are something like twenty-two million dwellings in the United States, of which about one-third are apartments or multiplex houses adapted for renting. Of the fifteen million remaining single unit dwellings, it is an allowable presumption (in the absence of definite statistics) that perhaps three or four million are rented.

"What about it"? you ask. And I answer: If ten million families are electing to rent their dwellings instead of buying homes, there must be something to the rent payers' side of the story. A popular songster has written that: "Fifty Million Frenchmen Can't Be Wrong." From the same philosophical school of thought, I find myself raising the question whether ten million rent-payers could be entirely blind to these obvious advantages of home-owning that we hear so much about, unless there is something to say for rent-paying also.

About seven years ago, finding myself confronted by the necessity of providing a suitable home and shelter for my own brand new family, the age-old question of home-owning versus renting arose. After vacillating for a brief period, between my own judgment and the inducements of real estate agents with homes for sale in the suburbs, I finally obeyed that impulse and rented a cozy apartment in a section of the city which seemed desirable at that time.

Population centers in a large city take strange shifts, that are not only undiscernible but unintelligible to the layman. Within the period of my two-year lease, however, the drift of prosperous mechanics and laborers flush with war time wages into my district became marked. So when my lease expired I moved to a section better suited to my taste.

As I happen to know, my former landlord found considerable difficulty in getting the same rental under these circumstances—in fact accepted a considerable reduction from my successor. Had I bought my home in this section, of course, my investment would have suffered in direct proportion with the decrease in rental values; in fact would have just about absorbed my equity and a considerable part of my savings during this period.

Score one for the renter!

Assume, however, that the investment in a home would remain unimpaired and pay the eight per cent that real estate owners hope to get out of a well placed-investment. Would I have been better off by directing funds into such an investment than into paying rent? From my own experience that question can be best answered by stating how I used the few thousand dollars that otherwise would have gone into a home investment.

About half of this fund was placed in good securities, averaging a slightly better income return than 6 per cent on the original cost plus some appreciation in value in line with the trend of good investments during this period. The rest of the fund went into the purchase of good stocks, selected on the basis of intrinsic values with the assistance of competent guides including THE MAGAZINE OF WALL STREET. These issues were traded for a profit when the opportunity presented itself, some were sold at a loss, but on the whole, my fund with income and profits reinvested in good marketable securities is now more that double its face value seven years ago. Score another point for the renter!

Having made particularly good use of these moneys, it could hardly be said that I have paid too high a price for the convenience of placing my home-owning trouble on someone else's shoulder. Even assuming a meagre 6% on my security investments it is certainly worth the extra cost to avoid home-ownership homage.

When my hot water faucet fails to function in the expected manner, do I feel the cold sweat on my brow as I picture paying a plumber's bill? Do I see a careless workman arrive a half an hour late and then fix the wrong pipe? Do I have sleepless nights for

(Please turn to page 1079)

Is Life Insurance What I Need?

A Doctor, Uneasy About His Stock Holdings, Seeks Safety and an Assured Income in Life Insurance. Perplexing Problems of Readers as Submitted to the Insurance Editor.

By FLORENCE PROVOST CLARENDON

Insurance Editor:

Is Life Insurance what I need?

I have $13,500 *of insurance,* $7,000 *endowment and the balance in ordinary and* 20 *payment life. The premiums of all but two thousand* 20 *payment life, which I finish paying this year, will have to be paid until I am sixty years old. My premiums require about* $500 *per year, and I have an annuity on which I pay* $200 *per year.*

I am married, have no children, own my home and have about $27,000 *in stocks from which I am getting about* $1,800 *in dividends. My profession averages me about* $6,000 *net each year.*

I soon will be 47 *years old and have lost considerable money buying stocks; feel rather uneasy regarding some of my present holdings, and I also realize that I may not always do as good a business as I am doing at the present time.*

I want an assured income when I am 60 *years old, and, in case of my death, want an income for my wife for life. I am sure she would not understand the handling of stocks.*

Can you advise me from the above outline of my present financial condition about what I should do, and if I should take more insurance, and what kind. Sincerely.—S. H. P.

Replying to your recent letter, there are some advantages in life insurance which are not possessed by any other form of investment, and for your wife's benefit, in event of your prior death, you should carry a reasonable and perhaps somewhat larger amount of insurance. The proceeds of an insurance policy are payable to a beneficiary immediately, without deduction and without any worry as to probating of will, appointment of executor, or other formality. Your wife should be named as beneficiary in your insurance policies, and you should consider the question of having the proceeds of some of the policies payable in the form of an income to her for life.

At the same time you ask the question: "Is insurance what I need?" and from the statements in your letter we would be inclined to say that that is *not your most important need.* We think you probably need to exercise more conservatism in taking care of the money you get, with additional training and discrimination in the form of investment in which you indulge. Tips and hints from "friends" on common stock which will yield 8 or 10% with a handsome bonus should be received with extreme caution—indeed, it would probably be to your advantage to give that investment, in the usual course, a wide berth. In crossing a street with busy traffic, and in purchasing speculative stocks, it is well to use a common slogan "Safety first!"

In the matter of life insurance we might reasonably recommend you to take $12,000 more, on the 10 Payment or 15 Payment Life plan, with a provision that the proceeds be payable to your wife for her lifetime as an annuity, *without* right of anticipation. Under this form of policy payment of premium would be limited to the period when you would normally be pursuing your profession and active business career.

Should This Policy Be Dropped?

Insurance Editor:

As a reader of your columns for several years, I would appreciate your advice on some insurance problems. The data follows:

Salary $2,400.00
Other income (from securities) about 300.00

Present insurance:

$1,000 15 *pay. life maturing in* 1929.
$1,000 20 *pay. life maturing in* 1933.
$2,000 20 *pay. life maturing in* 1938.
$5,000 30 *pay. life maturing in* 1938.

I am 37 *years old and married. No children. Wife's age,* 32.

I have been married about one year and my wife has been carrying a $1,500 *ordinary life policy for above five years. Having no dependents, she wishes to drop or make some other disposition of this policy. I am reluctant to do this, though it is not clear to me that it will be to my advantage to keep it up. In case of her death, it might come in handy in paying the necessary hospital and funeral expenses. It also might be used towards educating a child if there should be one. Would you advise that I continue this policy, and if so, do you not believe that it would be better to convert it into some form of limited pay, as in case of my death she would be forced to pay premiums in her old age? Your opinion as to the best method of handling this policy will be greatly appreciated.*

Inasmuch as I have two policies that will mature in the next few years, I have been thinking of the advisability of taking out $1,000 *or* $2,000 *additional insurance to bring my protection up to at least* $10,000, *but by doing this I fear that I may be putting too large a portion of my income in insurance. This would be especially true if I continue the policy that my wife is carrying. What percent of one's income do you recommend to be placed in insurance, and would you suggest that I take out any additional protection? If so would you advise the* 30 *pay. plan as often recommended in your articles?*

Very truly yours.—I. B. E.

It is frequently considered that a good saving plan is to divert about 10% of the annual income towards the payment of life insurance premiums, and 10% as deposit in savings bank or the purchase of conservative investments.

The fact that your wife carried her $1,500 insurance policy prior to her marriage evidences that she believes in life insurance protection and also that she is of a thrifty disposition. I would not advise dropping her policy, but perhaps converting it to a 25-Year Endowment and, if need be, reducing it to $1,000 to about equalize the premiums.

What she has paid for she has doubtless learned to appreciate, and a very little self-sacrifice on the part of both of you will pay the annual cost of this Endowment, which carries protection for a beneficiary meantime, and builds up a fund payable to your wife should she live to the autumn years. Converting the policy into an Endowment turns it to a more personal saving fund for your wife and gives it an added interest to her.

For yourself, I think it would be the course of wisdom for you to increase your present life insurance holdings, on the 30-Payment Life plan, as you suggest. It is, of course, for you to determine when, and for what amount, your income will permit of this increase.

Is Insurance Advisable for an Infant?

Insurance Editor:

Will you please give me an opinion on the wisdom of taking out life insurance on the life of my infant son, who is now about two months

(Please turn to page 1073)

How To Analyze Your Investment Holdings

A Series of Educational Investment Articles

Laclede Gas Light

1st Mtge. Coll. & Ref. 5½s 1953

ALTHOUGH listed in abbreviated form in the BYFI Recommendation Table, the full "title" of this bond is given above because it describes the security behind the investment in a very concise way. These symbols mean "first mortgage collateral and refunding." The bond is secured by the pledge of another issue which are called "refunding and extension 5s of 1934," a name which tells the investor nothing, for the latter bonds are *the first mortgage* on the company's properties. Of the total amount of 20 million dollars of this issue outstanding, 50% or 10 millions are pledged under the 5½s of 1953—the issue in which BYFI readers are interested. In addition, the 5½s are secured by a mortgage lien, subject only to the 5s of 1934, on the entire properties of the company.

The Laclede Gas Light Company is an operating company which serves the city of St. Louis, Missouri, with gas under an exclusive and perpetual franchise and also does some electric light and power business in the same territory, the latter representing about 10% of the gross income. During the past quarter of a century, its gross income has grown consistently and has practically doubled within the past ten years. Except for the period of rising costs during the war and post war years, the trend of net earnings has been very satisfactory, averaging the charges on its entire funded debt more than twice over since 1921.

Late last year the Public Service Commission of Missouri allowed a reproduction value of 61 million dollars on the company's property and a rate making valuation of over 52 millions. This valuation is practically twice the aggregate amount of this issue and the outstanding 5s of 1934, which from the standpoint of physical mortgage security is an unusually high ratio for a property of this class. The collateral 5½s are followed by 3 million bonds, 2.5 millions preferred stock selling on better than a 5% basis and 10.7 millions par value of common, quoted at present around 225 a share for $100 par value stock. The bonds are callable at 105 up to 1933, and a decreasing scale thereafter.

BYFI'S INVESTMENT SUGGESTIONS

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings bank accounts. are recommended for deposits of regular savings, to yield.........	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of..........	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953....	105	5.15%

THE NEXT $1,000

‡*Commonwealth Power 6s, 1947...............	104¾	5.53%
‡*International Mercantile Marine 1st & coll. 6s, 1941	103	5.70%
*Montreal Tramway gen. & ref. 5s, 1955.......	97	5.20%
†N. Y. Steam Corp. 6s, 1947..................	107½	5.40%
†Western Pacific 1st 5s, 1946.................	100	5.00%

* Available in $100 units. † Available in $500 units.

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952.......................	97	5.20%
Shulco Co., Inc., Guar., Ser. "B" 6½s, 1946..	103	6.20%
U. S. Rubber 1st 5s, 1947.....................	94	5.50%
West Penn Electric $7 Pfd.....................	111	6.30%
U. S. Smelting & Ref. $3½ Pfd................	51	6.85%
American Sugar Refining $7 Pfd...............	115	6.10%

THE NEXT $5,000 (a)

Seaboard Air Line 1st Cons. 6s, 1945..........	98	6.20%
Nassau Electric 4s, 1951......................	52	8.80%
Western Maryland 1st 4s, 1952.................	86	5.00%
Brooklyn-Man. Tr. $6 Pfd.	84	7.15%
International Paper, $7 Pfd.	103	6.75%
‡American Tel. & Tel. common ($9)..........	175	5.15%

‡ New Recommendations: Commonwealth Power 6s, 1947, called for redemption October 1 at 104¾, are replaced by International Mercantile Marine 1st & coll. 6s, 1941.

‡ Recommended to hold only.

(a) This group is selected with a view toward probable enhancement in principal.

TRADE TENDENCIES

Fall Upturn Less Clearly Marked

Business Continues to Hold Large Volume But Predicted Revival Is Less Apparent Than Few Weeks Ago—Prices Firmer

STEEL

Seasonal Improvement Not Forthcoming

AS this is the time of the year when steel demand is usually on the upgrade, failure on the part of heavy tonnage users to contribute expected specifications has resulted in lower mill operations. Since the improvement in late August, which was borne out by an increase in the unfilled orders of the Steel Corporation, conditions have suffered a slight reversal of form; and production at the present time is about 20 per cent under that of the same period in 1926. Output in the first six months of 1927 was about equal to that of last year during the corresponding first half, but since the beginning of July there has been a steady decline. Various factors responsible for this unsatisfactory movement reveal no definite signs of immediate upturn, although there is little evidence to support the belief that the

(*Please turn to page* 1084)

COMMODITIES*

(See footnote for Grades and Unit of Measure)

	1927 High	1927 Low	*Last
Steel (1)	$35.00	$33.00	$33.00
Pig Iron (2)	19.00	17.00	17.00
Copper (3)	0.13⅝	0.12½	0.13¼
Petroleum (4)	1.90	1.03	1.28
Coal (5)	2.37	1.83	2.04
Cotton (6)	0.24⅜	0.12½	0.20¾
Wheat (7)	1.58½	1.37⅞	1.37⅞
Corn (8)	1.21⅜	0.85¼	1.14
Hogs (9)	0.12¼	0.08⅞	0.11⅛
Steers (10)	15.00	0.10½	15.00
Coffee (11)	0.16¼	0.13⅛	0.13¾
Rubber (12)	0.42⅜	0.30	0.33⅝
Wool (13)	0.45	0.42½	0.45
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.05⅛	0.04½	0.04¾
Sugar (16)	0.06½	0.05⅞	0.06
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	23.15	19.15	19.15

*Sept. 24.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Industry operating at about 65% of capacity, with little prospect of immediate revision. Demand reflects no seasonal improvement but is inclining toward further decrease. Agricultural implement and rail buying likely to be mainstays of situation. Pig iron is dull.

PETROLEUM—Continued progress in controlling excessive production being made in nearly all fields, but daily average is far in excess of consumption needs. Prices firm at least for present. In refined products, weakening in gasoline balanced by growing seasonal strength in kerosene and fuel oils.

METALS—Non-ferrous markets continue a disappointment, even recent activity in copper buying showing a slowing tendency although this is believed no more than temporary. Lead continues at low and unsatisfactory levels and tin is declining as available stocks increase.

PUBLIC UTILITIES—Power production is running nearly 10% ahead of last year as industrial demand turns more and more to electric service. Both natural and manufactured gas face steadily widening industrial market. Seventy-nine telephone companies recently reported 8.3% increase in revenue for first six months.

RAILROADS—Report of August earnings, and car loading during September despite large crop movement, indicate a continuance of a fairly steady earning rate but on a distinctly lower level then obtained during 1926.

COTTON—Excitement and wide fluctuation over government crop estimate and official opinion as to future course of prices having subsided, cotton markets are steadier. Mill stocks are reported low despite large August consumption figures. This condition coupled with well sustained export trade should at least support current levels for some time to come.

BUILDING—Building volume continues of large proportions although slightly below the peaks of last year. Engineering construction and public works exceed 1926 in value of contracts let; but residential construction is marked by substantial drop in speculative building, particularly in larger cities.

LUMBER—Softwood mills report new business in volume comparable to last year, although production is at slightly higher rate. Hard wood while scoring some recent gains is in less demand than a year ago particularly with buying by automobile industry reduced. Prices generally show slight downward tendency in consonance with major building material.

SUMMARY—While business is unquestionably in large volume Fall upturn is less clearly defined than previously. Prices are firmer but considerable uneveness is apparent among various basis lines.

·SERVICE·SECTION·

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription. Inquiries from non-subscribers of course cannot be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to three securities.***
3. ***Write name and address plainly.***

INTERNATIONAL TELEPHONE & TELEGRAPH

On your recommendation I purchased International Telephone about ten months ago at $121. I watched the stock advance but have read very little about why it has shown such an improvement. Would you acquaint me with the situation and also advise me if I should hold this stock as it does not yield me a very large return at the present rate?—L. J. R., Indianapolis, Ind.

International Telephone & Telegraph, through subsidiaries, furnishes telephone service to practically the entire population in Cuba and Porto Rico, and is rapidly becoming the dominant factor in the entire South American continent. Subsidiaries also operate in Spain and Mexico. A 50% interest (the other 50% being owned by Amer. Tel. & Tel) is owned in the Cuban-American Telephone & Telegraph Co., forming the connecting link between Cuba and the United States. International recently absorbed All-America Cables, Inc., operating a modern cable system from New York to Cuba, thence to other parts of the West Indies, and to Panama throughout Central America and points in South America. Through control of the International Standard Electric Corp., formerly the International Western Electric Co., International holds all foreign rights to the Bell patents, and acts as exclusive distributor of Western Electric products in all countries, except United States, Canada and Newfoundland. Earnings have shown consistent yearly increase since inception, profits in 1926 being equal to $12.13 per share on 585,983 shares, followed by $5.96 on 962,966 shares in the first half of 1927 against $6.95 on 399,930 shares in the same period of 1926. Capitalization, at present, consists of 35 millions 4½% debenture bonds and 1,029,428 shares of $100 par capital stock, the latter before giving effect to 146,410 shares offered to shareholders of record September 6th, and 10,000 shares sold to employes. Financial condition is impregnable. While present prices go far toward discounting the favorable aspects of the situation as it exists, future growth in operations and earnings is sufficiently assured, in our opinion, to justify the expectation of very satisfactory returns to patient shareholders over the longer range.

MAYTAG

I have 10 points profit in Maytag which I bought about a year ago and would like you to advise me as to whether I should hold this stock for still higher prices? What is the company's business outlook?—T. A. N., St. Louis, Mo.

The Maytag Company, as you may know, is engaged in the manufacture of domestic washing machines which are operated electrically or by a small gasoline engine, together with various laundry accessories. The company is firmly established in its field and through a well coordinated marketing and agency organization sells about one-third of the laundry machines purchased annually in the United States. 1926 was a record year and a total of 315,499 machines was sold resulting in net earnings applicable to the capital stock equivalent to $4.26 per share, comparing favorably with $2.74 in 1925 and $1.42 in 1924. Results for the six months ended June 30th showed net earnings of 3.2 millions as contrasted with 3 millions for the corresponding period of 1926, equal to $2.01 and $1.92 respectively on 1,600,000 shares of capital stock. Financial position of the company is sound, working capital adequate and with a proven competitive advantage, Maytag bids well to maintain operations on a profitable basis. It cannot be denied, however, that the company's success has drawn other organizations into its field and competition is likely to become increasingly keen. This latter fact, together with the highly specialized nature of the company's products, would seem to warrant a conservative attitude, and pending concrete evidence of the company's ability to meet competition, and maintain the current high level of earnings, the shares which now appear to discount the favorable aspects of the situation, may "mark time." We advise profit taking as a conservative procedure.

SHELL UNION OIL

Would you advise me to dispose of my holdings of Shell Union? I bought 50 shares two years ago at 26. The oil situation appears to me to be showing no improvement and as my stock did not act particularly well when other oil stocks were booming. I am disturbed regarding its probable trend with the oil industry in chaos. —E. I. K., Minneapolis, Minn.

Shell Union Oil Corp. is a holding

(*Please turn to page* 1064)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

WHICH INFLUENCES BUSINESS MEN MOST?

(*Continued from page* 1015)

to contradict these very laws. But in the end I am very confident that these old students of economy will be vindicated, along with me.

"It may seem to some that many of the old theories confidently laid down as economic laws, have been discredited. For example, it is a cardinal principle that interest rates are directly proportioned to the earning power of capital. Yet, today, from reports from big industrial and other corporations, it is evident that capital is earning an unusually large return, and we also know that interest rates are low and that money is easy. But this applies chiefly to this country—it is not a world-wide condition. The dislocation of the law is one of place only. We have become by reason of the great war, a creditor nation. Our proportion of gold, upon which all credit is finally based, is much greater than our apparent ratio of importance in the world's economy. Apparently money is our cheapest commodity, yet, invested in enterprise, its yield is astonishingly heavy.

"There has been a slight business recession this year. Our stocks of material are the lowest they have been in years. If the recession should progress we shall no doubt find the working out of the old economic law of interest rates as I have stated it."

By J. J. Hegeman, Pres. Hegeman, Harris & Co.

One of the most tremendous activities in recent years has been building. So many records have been smashed that to enumerate them would be wearisome.

Building, as a nation-wide industry, is no different from other industries, though it may vary in sections.

The viewpoint of the big builder is expressed by John C. Hegeman, president of Hegeman, Harris Co., Inc., a company whose activities are nation wide.

Mr. Hegeman finds that the builder occupies a secondary position when it comes to business action, whether based on his own experience or the accumulated experience of others as indicated by the various indices compiled, tabulated and charted by economists.

"We cannot inaugurate business in our own field," said Mr. Hegeman. "Only the speculative builder can do that. We must wait until the owner decides that he wants to build. Then we come along and try to get the job of doing the construction.

"The factors that induce or discourage building are the same as those that affect general business. And anything that points out the experiences

(*Please turn to page* 1046)

(*Continued from page* 1044)

of the past is surely a determinant. So, of course, statistical information has its value.

"When commodity prices are low, materials and labor are cheap and interest rates are down, we builders do not find much demand for our services. We look to that time when the building worker is getting a high wage, when steel is at peak prices, and masonry, brick, lumber, etc., are high, to give us our most active and profitable period. The 'follow the leader' instinct is very strong in our field. When a few start to build all the rest follow like sheep and high prices result.

"Just now there is slightly less activity in building than there has been. I do not feel that this falling off can be traced to any so-called business cycle. Post-war supply has caught up with demand.

"Building differs in some respects from other business. It may be very active in one class and slow in another. Just now there is great activity in college building. In the past few years college enrollments have so increased as to outstrip facilities. Hence, the institutions of learning have been compelled to build. This, of course, is not the result of the swing of any business curve nor has it been brought about by the so-called business indicators. Of course, it has its basis in the general prosperity of the country. And yet, it goes farther than that. One may see in it a realization by the young man of today that a college education is becoming more necessary to business success. But no charts or graphs could have foretold this.

"Business, no doubt, watches the stock market and follows the trend with interest. The stock market very frequently discounts the future. Many operators take a long look ahead, when dealing in stocks and frequently results justify the actions which they take. And, of course, all other statistical information has its value. . . . But, after all, the daily experiences of the man on the ground count greatly."

By G. B. Caldwell, Vice-Pres. U. S. Bond and Mortgage Co.

George B. Caldwell, vice-president of the United States Bond and Mortgage Corporation, feels that trade indices are extremely valuable but that the business man follows the dictates of his own experience to a very large degree.

"Business statistics, honestly compiled, are a tremendous aid to one in determining his future actions. But too much reliance should not be placed on them. They are by no means infallible. I am confident that business moves in cycles but one would be foolish to expect these to be rhythmically recurrent. They do not always come at exactly the same time, nor happen in exactly the same way. Their course may even be diverted.

"The present business situation

(*Please turn to page* 1048)

(*Continued from page* 1046)

would seem to disprove the 'cycle' theory as something upon which one may absolutely depend. The downward swing has been long over-due. The present dip is only a weak imitation of what we used to have.

"No one could say that business conditions at the moment are the best. There is room for some pessimism if one would care to indulge in it. In some lines the demand is good. In others the reverse is true. I have seen many textile mills in New England closed. Massachusetts savings banks have been marking off losses through the holding of bonds which were 'legal' but which proved poor investments. In the aggregate the sum thus marked off is large, but scattered among all the savings banks of the state it does not amount to much.

"This is merely indicative of the fact that caution is necessary at this time, and most of our statistical information forces us to the same conclusion. In this respect the indices seem to be reliable but they do not point very far ahead.

"I do not believe that the business man can afford to or that he does place implicit confidence in the product of the economist and the statistician. One cannot get away from the fact, of course, that there are certain fundamental laws. From the facts furnished by the various trade indicators certain things can be drawn from these laws. Credit has its basis in some redemption material. With civilized mankind this happens to be gold. When a country has a very large percentage of the world's supply of gold, as we now have, there is a tendency toward commodity price inflation. Yet, here our Federal Reserve System seems to have worked well to prevent this sort of thing.

"I sometimes think that there is more than enough psychology in business. If we allow ourselves to believe that about every so often we are bound to have hard times, we already have gone a long way in creating that very condition. We go along smoothly, business is good, credit is easy. Suddenly some one feels that it's about time things were changing. We've had prosperity for a long time and the economists say that we must have a dip in the prosperity curve. People begin to talk about a possible reaction. Others take up the thought and conversation. It becomes widespread. Buying is curtailed. Credits begin to tighten. Banks are uneasy and begin calling loans—and eventually we have a panic, large or small as the case may be, which had no more substantial basis at the outset than the illogical belief that 'it just had to come.'

"There does not seem to be any reason why we should act this way, but we do frequently. I believe, however, that the average business man realizes the effect of this sort of thinking and that more and more he is developing a better understanding of how to avoid deluding himself into the notion that what has happened once must happen again."

NEW ELEMENTS IN THE TECHNIQUE OF MARKET DIAGNOSIS

(*Continued from page* 1013)

erally speaking, local interest accounts for a larger share of stock transactions than is generally imagined.

In these circumstances, it is not difficult to understand why securities of specific geographical origin, under the influence of a certain news development of general importance as affecting industrial conditions in that locality, may move in a certain direction regardless of what the rank and file of the market is doing. Not so long ago, representative "Southern" stocks enjoyed a substantial upward movement in anticipation of a prospective betterment in Southern economic conditions, due to the expected rise in cotton prices. At present (September, 1927) securities representing Northwestern properties are in greater than customary favor due to the large increase in the Northwest wheat yield at prices sufficient to establish general prosperity in that section.

Conclusion One of the vital factors bringing about greater independence of stock movements is the large increase in financial education among the investors of the country. The ranks of those who are able to differentiate between the good and bad securities of a given industry are growing steadily. This encourages greater selectivity of investments and, hence, greater independence of price movements.

It is an incontrovertible fact that, broadly speaking, the modern stock market is composed of many different markets, each affected by individual peculiarities not true of the rest. Within each specific group, growing independence of the component members is noted, so much so that the old groupings such as steel, motors, copper, etc., tend to lose their principal meaning. In the final analysis, the market has to be reduced down to the individual stocks which compose it. Under modern conditions of great competition in business, it is likely that this individualistic characteristic of the market will be accentuated rather than the reverse.

This makes the problem of the investor perhaps more difficult in that he can no longer rely on the position of a market group to the same extent as formerly to give him a clue as to the future of any individual member of that group. But it also makes his problem simpler in that, if he has taken the precaution to carefully analyze the position of the company in which he may be interested, he has the assurance that the general tendency toward market independence will aid rather than hurt the prospect that his stock will eventually reach the level to which it is entitled by virtue of the special conditions which affect it.

CEMENT INDUSTRY ENCOUNTERS OVER-PRODUCTION

(*Continued from page* 1029)

terest to examine two important companies in the industry, which are fairly comparable as to size and in both of which there is substantial investor following.

Two Companies Compared

International Cement Corporation and Pennsylvania-Dixie have many points of similarity. Both companies are of comparatively recent origin, although in each case constituent or predecessor companies have long records of successful operation. International was formed in 1919 as a holding company which has to date acquired ten plants with an aggregate capacity placed at 14 million barrels of cement per annum. With the completion of the eleventh, now under construction, this output will be increased by another million. Penn.-Dixie was incorporated only last year, combining the properties of four established companies which had previously been in successful operation for fifteen to twenty-five years. The total productive capacity of its seven plants is rated at 10 million barrels.

From the standpoint of proximity to markets served, International covers a much wider territory than its competitor. While factories of Penn.-Dixie are situated, as the name implies, in Pennsylvania, Tennessee and Georgia, with one in New York State; International has taken advantage of huge markets, actual and potential, by establishing complete mills in Argentine, Brazil, Uruguay and Cuba, in addition to strategically placed plants in New York, Virginia, Kansas, Louisiana, Alabama and Indiana.

Whether because of this policy of far flung operations or through the shrewdness of its management or both, it is significant to note that despite increasing difficulties in the way of profitable operation during the present year, International has actually increased gross sales for the first half of 1927 compared with the corresponding period of last year. Moreover, notwithstanding a lower price scale, this increased business has resulted in a gain in net earnings of nearly $200,000 for this six months' period. In other words, the company through its wide markets is in a strong competitive position.

On the other hand, comparing the net income of Penn.-Dixie for the half year just past with the record of its predecessor companies a marked falling off is apparent. While to some extent this may be attributed to difficulties in coordinating various units under new management and hence not contradict promise of possible improvement, the contrast between the records

(*Please turn to page* 1054)

(*Continued from page* 1052)

of Pennsylvania and International is sufficiently marked to give the latter the more favorable aspect.

International Cement The latest balance sheet of International reveals a favorable financial position with 5.5 millions in working capital. It may be noted that the inventory item has shown a tendency to increase during the past three years to as high as 4.2 millions at the close of 1926; but the trend is not in marked disproportion to gross sales and is in consonance with the general trend in the industry to build up stocks of finished goods. Capitalization consists only of 9.69 millions in 7% cumulative preferred and 562,000 shares of no par common. Tangible assets behind the latter amount to $45.27 a share.

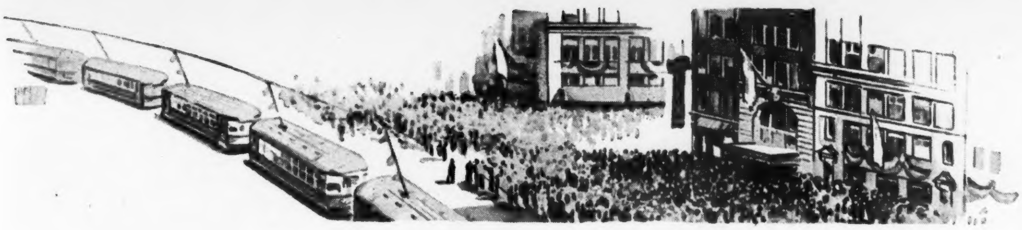
From the accompanying table it is apparent that dividends have been earned in every year since organization except in the year following the depression of 1921. Moreover, it should be born in mind that stock outstanding has increased from 268,000 shares in 1920 to the present figure, and if earnings are considered on the basis of shares outstanding in each respective year, the margin by which dividends have been earned appears more liberal. As previously noted, despite unfavorable trade conditions so far this year, the report of the company to June 30 indicates $3.04 per share compared with $2.91 for the same period of 1926. Proportioning this six months' record to a full year on the basis of last year, earnings for 1927 are indicated at $6.42.

On this prospect with its implied security of a continuance of the four dollar dividend the price of 56 seems well justified; but in view of the adverse industrial position of the industry, its purchase for price appreciation cannot be regarded as other than quite speculative for the present.

Pennsylvania-Dixie When this company was organized in September, 1926, it took over the business of Pennsylvania Cement, Dexter Portland, Dixie Portland and Clinchfield Portland Cement. In so doing it acquired well equipped plant properties all of which are favorably situated with respect to raw material supply and with reserves for many years operations. The commercial value of total properties and equipment was appraised at the time of incorporation at 34.7 millions. These assets are carried on the books, however, at 26.2 millions, representing reproduction cost less depreciation.

The capital set-up includes 20 million dollars in 7% cumulative preferred of which 13 million is outstanding; one million shares of no par common of

(*Please turn to page* 1056)



THOUSANDS CHEER

as street cars parade in Grand Rapids

GRAND RAPIDS caught the spirit of modern service when twenty-seven new trolley cars, light, speedy, and with comfortable seats, rolled smoothly, almost noiselessly up the street.

Best of all, these cars saved 40% in power consumption, maintained faster schedules, and increased the number of passengers carried per car mile.

Grand Rapids, like scores of other cities today, is helping people to realize more and more

—that the public *must* be served.
—that the demand for such a service will continue.
—that more passengers can be carried by the trolleys with less traffic congestion.
—that extensive improvements are being made.

Thousands cheered in Grand Rapids. Why? Because they appreciated the expression of service.

Since 1888, General Electric engineers have continually contributed to the industry. G-E designed motors are used on Grand Rapids cars, and on subway cars, city and interurban lines, and electrified divisions of steam railways. G-E safety devices, brakes, and control are also a part of this complete, modern transportation service.

GENERAL ELECTRIC

(*Continued from page* 1054)

which only 400,000 shares have been issued and a funded debt composed of a 12 million first mortgage bond issue. The company has 5.8 millions working capital of which 3.45 is in cash. Moreover, current assets exceed current liabilities in a ratio of more than five to one.

Penn.-Dixie, however, is in the position of a new organization experiencing the fire test of industrial conditions under which profitable operation is increasingly difficult. Whereas earnings of the companies from which it was formed have shown a rising trend in the past four years, the new management seems to have encountered obstacles. Net profit for the first half of the year amounted to only $924,859 corresponding to $1.17 on the common. As a consequence the regular quarterly dividend of eighty cents which had been paid up to July first was cut to fifty cents, while the market price fell from a high of 39 to present levels around 26.

Until the earning power of the new company has been more definitely established the common possesses but little attraction.

NEW HAVEN SPRINGS A SURPRISE

(*Continued from page* 1017)

a substantial minority interest, has been undergoing a similar rehabilitation and in the not far distant future should prove to be a definite asset rather than a liability. The establishment of Boston & Maine common on a dividend basis, which may very well eventuate, will provide an unaccustomed source of income. New York, Ontario & Western capital stock is another outside investment that has enhanced materially in market value to a point not far below its cost price. While still displaying unimpressive earning power, its present market position indicates inherent values far greater than appear on the surface, which eventually should work out to the advantage of New Haven. The recent consolidation of New Haven with two of its subsidiaries, Central New England and Harlem River & Port Chester, while not of great moment in itself, at the same time has an important bearing on future dividend action, in that it eliminates the Profit and Loss Deficit carried on the books for many years past, thus removing what might have been an artificial obstacle to common dividends when otherwise warranted.

Preferred Stock Issue Approved

Consideration of the significance of the new preferred stock issue would be incomplete without reference to the refusal of the Interstate Commerce Commission to sanction the underwriting

(*Please turn to page* 1058)

(Continued from page 1056)

agreement in connection with the transaction. The commission of $2 a share to insure the success of the offering was regarded as unnecessary by that body in spite of the fact that just previously it had approved the payment of $2.25 a share by Baltimore & Ohio for a similar purpose over the protest of certain stockholders.

A new underwriting agreement has been effected, the terms of which are unknown but which presumably are in line with the views of the I. C. C. The decision will probably have no great bearing on the situation, but it is of much academic interest in determining the policies of the chief railroad governmental authority in respect to underwriting agreements. In the present instance it was hardly of a nature to furnish much enlightenment. Refusing to permit underwriting on top of a directly opposite stand in the case of a stronger road probably had its source in motives of economy in behalf of New Haven and a belief in the credit position now achieved by that company.

However this may be, the Interstate Commerce Commission wholeheartedly approved of the preferred stock offering as such, and there is little question that this financing represents a milestone in the spectacular rehabilitation of the road. While perhaps not as remarkable as the last outstanding development which occurred in 1925, when the European loan, already previously extended after maturity, again became due and was refunded entirely through the efforts and cooperation of large shippers, security holders, employes and various New England commercial interests, at the same time it marks the return of the road to a status wherein its junior securities offer attractions and provide a means of intermittent future financing pending the attainment of a properly balanced capital structure.

Quite apart from sentimental considerations on the part of those most interested in the welfare of the road, the new 7% cumulative preferred, with earnings definitely on the increase and currently approximating $23 a share, possesses much investment merit, and it will occasion no great surprise if it advances to its callable price of 115 before a great length of time. The privilege of conversion into an equal number of common shares is in the nature of a long range added incentive for those with confidence in the ability of New Haven over a period of years to reestablish its former greatness.

For Feature Articles To Appear in the Next Issue See Page 997

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1926 High	Low	1927 High	Low	Last Sale 9/29/27	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	172	91⅜	200	161¾	190½	‡7
Do. Pfd.	106⅜	96	102⅛	75	102	72	103⅛	99⅜	†102½	5
Atlantic Coast Line	148⅛	102½	126	79⅞	268	77	205¾	174⅞	193	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	109¾	27⅝	124⅞	106⅛	119⅛	6
Do. Pfd.	96	77¼	80	48⅛	73⅞	38⅛	83	73¼	†80	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	70⅞	53	54¾	4
Do. Pfd.	..	..	..	..	89⅜	81⅜	88	82	†84	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	194⅜	165	185	10
Chesapeake & Ohio	92	51⅛	71	35⅝	178⅝	46	204½	151¾	.204	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	19⅜	9	16⅞	..
Do. Pfd.	181	130½	143	62⅛	76	7	34¾	18⅝	32⅛	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	97½	78⅜	93¼	4
Chicago, R. I. & Pacific	..	..	45¾	16	71¼	19⅛	116	68½	107⅛	5
Do. 7% Pfd.	..	..	94¾	44	108	64	111¼	102¾	†108⅛	7
Do. 6% Pfd.	..	..	80	35¾	98	54	103⅞	95¼	†102	6
Delaware & Hudson	200	147½	159⅛	87	183½	83¼	230	171⅛	204½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	136	132	134⅛	‡6
Erie	61¼	33½	59⅛	18¾	42	7	65⅞	39½	63¼	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	55¼	11⅛	66¼	52⅜	61	..
Do. 2nd Pfd.	89⅛	19⅛	45⅝	13⅛	50¼	7⅛	64½	49	60	..
Great Northern Pfd.	157⅞	115⅛	134¾	79¼	100⅝	50⅝	103⅞	79⅝	101	5
Hudson & Manhattan	..	..	..	..	41⅛	20⅝	65⅞	40⅛	53	2½
Illinois Central	162⅛	102¾	115	85¾	131	80⅞	137⅜	121⅛	135⅞	7
Interboro Rap. Transit	..	..	..	..	53⅜	9⅛	52⅛	30⅛	33	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51⅜	13	70⅛	41¼	63¾	..
Do. Pfd.	75½	56	65½	40	68¾	40	72	64⅞	72	4
Lehigh Valley	121¼	62½	87⅛	50⅝	106	39½	137⅛	99⅜	103½	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	156½	128⅜	151¾	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	47⅛	*⅜	56½	31½	45	..
Do. Pfd.	*78¼	*46	*60	*6⅛	96¼	*2	109	75¾	106½	6
Missouri Pacific	*77½	*21½	38½	19⅞	45	8¼	62	37⅞	54½	..
Do. Pfd.	..	..	64⅞	37½	95	22¼	111½	90⅛	103	..
N. Y. Central	147¾	90⅝	114¼	62½	147⅛	64⅛	168½	137¼	166½	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	133	110	130½	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	48⅜	9⅝	58⅝	41⅝	52⅝	..
N. Y., Ontario & W.	55⅜	25⅛	|35	17	34¾	14¼	41⅜	23¼	40	1
Norfolk & Western	119¼	84¼	147⅛	92⅝	170⅞	84¼	192	156	188½	8
Northern Pacific	150½	101¾	118⅞	75	99⅞	47⅞	97	78	95	5
Pennsylvania	75⅝	53	61½	40¼	57⅛	32¼	67⅞	56⅜	66½	3½
Pere Marquette	*36½	*15	38⅛	9½	122	12⅛	140⅜	114½	132½	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	135¼	21⅛	174	122	149	6
Reading	89⅝	59	115⅛	60⅛	108	51⅞	128¾	94	114½	14
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42⅛	40⅛	†41½	..
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	50	48¾	†44¼	2
St. Louis-San Fran.	*74	*13	50⅛	21	103½	10¾	117¼	100¾	112½	7
St. Louis Southwestern	40⅜	18⅛	32⅛	11	74	10⅞	93	61	81½	..
Seaboard Air Line	27½	13¼	22⅝	7	54¼	2⅛	41¼	28⅛	35⅜	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	45⅝	32⅛	41¾	..
Southern Pacific	139¼	83	110	75¾	118⅛	67½	125⅝	106¼	121	6
Southern Railway	34	18	36¾	12½	131¼	24¾	136⅞	119	132⅜	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	100	94	†99	5
Texas & Pacific	40⅛	10¼	29½	6⅛	70½	14	102¼	53⅞	98½	..
Union Pacific	219	137¾	164⅜	101¼	168⅜	110	192¼	159½	188½	10
Do. Pfd.	118⅛	79¾	86	69	81¼	61¼	84½	77	81⅝	4
Wabash	*27⅞	*2	17½	7	52	6	81	40½	69	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	78¾	17	101	76	96⅛	5
Do. Pfd. B	..	..	32⅞	18	72	12¼	98	65	†92	5
Western Maryland	*56	*40	23	9¼	18⅜	8	67⅞	13¾	62	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	67½	23	61½	..
Western Pacific	..	..	25½	11	40	12	47½	25⅛	41⅜	..
Do. Pfd.	..	..	64	35	86½	51⅛	76⅜	55	68	..
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	130	27¼	†63	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	97	47½	†81	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1926 High	Low	1927 High	Low	Last Sale 9/29/27	Div'd $ Per Share
Adams Express	270	90	154½	42	136	22	166⅞	124	156½	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	13	7⅛	8⅜	..
Allied Chem. & Dye	..	..	..	..	148⅞	34	169¼	131	159	6
Do. Pfd.	..	..	..	..	122¾	83	124	120	†122¼	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26⅛	118⅜	88	114	6
Am. Agric. Chem.	63⅝	33⅛	106	47⅜	113¾	7⅛	15⅞	8⅛	†13	..
Do. Pfd.	105	90	103½	89⅛	103	18	51⅜	28¼	45⅝	..
Am. Beet Sugar	77	19⅜	108⅛	19	103¾	24½	25⅝	18⅛	18¾	..
Am. Bosch Magneto	..	..	..	..	143⅞	28	26½	13	23½	..
Am. Can	47⅜	6⅞	68½	19¼	*297⅝	*21¾	66½	42⅝	61½	2
Do. Pfd.	129¼	98	114⅛	80	130⅛	72	134	126	133⅞	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	109¼	95	101⅜	6
Do. Pfd.	124¾	107½	119⅛	100	130¼	105¾	134¾	125½	127½	7
Am. Express	300	94¾	140½	77½	175	76½	164	127	153¾	6
Am. Hide & Leather	10	3	22⅛	2⅛	43⅛	5	10¾	7⅝	10	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	66⅜	48	†59½	..
Am. Ice	..	..	49	8⅞	139	37	32⅜	27	29	2
Am. International	..	..	62⅜	12	132¼	17	56¼	37	†52¼	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	80¾	46⅜	78½	..
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	116	103	106¼	8
Do. Pfd.	122	75	109	93	124¼	96½	127	119½	125⅛	7
Am. Metal	..	..	..	..	67⅜	38¾	46⅜	38	43¼	3
Am. Radiator	*500	*200	*445	*235	*345	64	147⅞	110½	136½	5
Am. Safety Razor	..	..	..	..	76¾	*3⅛	61½	42	52	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	6¾	3⅛	3⅛	..

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 9/29/27	Div'd $ Per Share
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	152	29¼	180½	132⅝	171¼	8
Do. Pfd.	74½	24⅛	95	44	50	18	130½	119¼	†131	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅝	63¼	58¼	41½	51⅛	3
Do. Pfd.	..	..	..	..	115	78	115	110¼	†112	7
Am. Sugar Refining	136⅝	99⅞	126½	89⅛	143⅝	36	95⅜	79	90	5
Do. Pfd.	133½	110	123½	106	119	67½	116½	107⅞	115	7
Am. Tel. & Tel.	153⅝	101	134½	90⅝	151	92⅛	179½	149¼	175¼	9
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	154¾	120	150	8
Do. Com. B	..	..	..	..	*210	81¼	154¼	119¼	149½	8
Am. Water Works & Elec	..	..	..	..	*144	*4	72½	46	70⅜	‡.60
Am. Woolen	40⅝	15	60⅞	12	169½	19	33⅜	16⅛	22⅛	..
Do. Pfd.	107¾	74	102	72½	111⅞	66	86½	46⅞	57¼	..
Anaconda Copper	54⅝	27½	105⅝	24¼	77⅞	28⅛	49⅞	41¼	47¼	3
Associated Dry Goods	..	..	28	10	*140½	46½	52	39⅛	49¼	2½
Do. 1st Pfd.	..	..	75	50½	102½	49⅞	110¼	97½	†109	6
Do. 2nd Pfd.	..	..	49½	35	110	38	109¾	105	†109½	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9½	42	30⅝	34½	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	41¼	29⅜	33⅜	..
Atlantic Refining	..	..	..	..	*1575	78½	131⅜	107	119	4
Austin Nichols	..	..	..	..	40⅜	7⅛	10¼	4¼	†5½	..
Do. Pfd.	..	..	..	..	95	50⅝	61	26⅛	†31	..
Baldwin Locomotive	60¾	36½	154½	26⅝	167¾	62¼	265¾	143⅛	248¼	7
Do. Pfd.	107½	100¼	114	90	119¼	92	126¼	116	122	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	66⅛	43¾	60	..
Do. 7% Pfd.	80	47	186	68	108	78	117¼	104⅜	116⅛	7
Brooklyn Edison Electric	134	123	131	87	163	82	184⅞	148½	178	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	154½	89⅝	139¼	5
Burns Brothers	45	41	161½	50	147	76	125¾	85½	103⅛	10
Do. B	..	..	..	..	53	17	28⅛	16¼	†23⅜	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	11⅜	7⅜	8⅛	2
California Packing	..	..	50	30	*179½	48¼	70	60¼	†64¼	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅝	32⅞	21⅛	22¼	1
Central Leather	51¾	16½	123	25⅞	116½	9⅝	19⅛	8⅝	19⅛	..
Do. Pfd.	111	80	117½	94⅞	114	28½	90	54	†87	..
Cerro de Pasco Copper	..	..	55	25	73½	23	68	53	64½	4
Chile Copper	..	..	39¼	11¼	38⅜	7	39¼	33⅛	35⅛	2½
Chrysler Corp.	..	..	..	..	*253	*108¼	62⅜	38⅛	57½	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	114⅜	102⅝	113	8
Coca Cola	..	..	..	..	177¾	18	129	96⅛	124¼	5
Colorado Fuel & Iron	53	22½	66½	20½	56	20	96⅝	42⅝	78⅝	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	98⅜	82⅞	98	5
Congoleum-Nairn	..	..	..	..	*184⅜	12½	26⅝	17¼	24	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	86⅜	75⅞	80⅛	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	121½	94	117⅝	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	77⅛	58¾	72¼	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	63⅛	46⅞	59	‡2
Do. Pfd.	98½	61	113½	58⅛	130¼	96	137	128	†136	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	96¾	77	88¾	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	10⅜	7	7⅛	..
Do. Pfd.	..	..	100⅛	77¼	87	13⅛	50¾	34⅛	†35⅝	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	28½	21½	22	1
Cuyamel Fruit	..	..	..	..	74½	32	51	30	49⅛	..
Davison Chemical	..	..	..	..	81¼	20⅜	40½	26¼	38⅛	..
Dupont de Nemours	..	..	..	..	*360	105	342⅞	168	323	‡8
Eastman Kodak	*No Sales		*605	*605	*690	70	175¼	126¼	168	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	79⅛	63¼	72¼	5
Endicott-Johnson	..	..	..	..	150	44	80	64⅜	75	5
Do. Pfd.	..	..	..	..	120	84	121½	116⅝	†124	7
Fisk Rubber	..	..	..	..	55	5½	20	14⅞	16⅝	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	100	81	95	7
Fleischmann Co.	..	..	..	..	*171½	*75	64½	46⅛	61⅝	3
Foundation Co.	..	..	..	..	183¾	58½	88⅝	46	52	5
Freeport-Texas	..	..	70½	25¾	64⅜	7½	84	34	79¼	4
General Asphalt	42⅞	15½	39⅜	14¼	160	23	96¾	65	72¼	..
General Cigar	..	..	..	..	*115¼	46	70½	52	67½	4
General Electric	188½	129¾	187¼	118	*386½	109½	146⅝	81	133½	‡4
General Motors	*51¾	*25	*850	*74½	225¾	*8⅛	277¼	145⅛	269¼	‡8
Do. 7% Pfd.	..	..	..	..	122¼	95⅛	125¼	118⅛	124⅜	7
Goodrich (B. F.) Co	86½	15½	80¼	19⅝	93⅜	17	85⅛	42¾	82⅛	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62⅛	109⅜	95	108⅜	7
Goodyear T. & R. Pfd	..	..	..	..	114⅝	35	65⅜	40⅜	61⅛	..
Granby Consolidated	78¼	26	120	58	80	12	45	31⅛	35⅞	..
Great Northern Ore Ctfs	88½	25½	50⅝	22½	52¾	18	28¾	18	25⅝	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	64	40¼	40⅝	..
Houston Oil	25½	8	86	10	116½	40½	174½	60⅛	149	..
Hudson Motor Car	..	..	..	..	139½	19½	91½	48¼	78¼	5
Hupp Motor Car	..	..	11	2½	31	4⅝	23⅝	17⅞	18⅛	1.40
Inland Steel	..	..	..	..	50	31⅛	55½	41	50	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	25½	12⅛	18	..
Inter. Business Mach	..	..	52⅝	24	*176¼	28¾	94	53⅛	88⅝	4
Inter. Combustion Eng	..	..	..	..	69½	19⅝	64	43⅛	49¼	2
Inter. Harvester	..	..	121	104	158⅛	66¾	237	135⅜	221	‡6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	8¾	4⅛	†4⅜	..
Do. Pfd.	27⅝	12⅛	125⅝	8	128½	18½	55⅜	35⅛	37½	..
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	75	38¼	69½	2
Int. Paper	19¾	6½	75½	9½	91¾	27⅞	60⅞	39½	56⅜	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	31⅛	9⅛	28½	..
Do. 8% Pfd.	..	..	101	72	110	33	109	85	98	..
Kennecott Copper	..	..	64¼	25	64¼	14⅝	77⅛	60	73¾	5
Kinney (G. R.) Co.	..	..	..	..	103	35½	45	19¾	†25	..
Lima Locomotive	..	..	..	..	74⅞	52	76⅜	62	63	4
Loew's, Inc.	..	..	..	..	48⅜	10	63⅞	46⅞	54	2
Loft, Inc.	..	..	..	..	28	5⅛	7⅝	5⅛	5⅝	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	27⅜	42⅞	23⅛	39¼	..
Mack Trucks	..	..	..	..	242	25⅛	118¾	88¼	108	6
Magma Copper	..	..	..	..	46	26⅛	45⅞	29¼	42	3
Mallinson & Co.	..	..	..	..	45	8	18⅜	11½	15½	..

(Please turn to next page)

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 9/29/27	Div'd $ Per Share
Maracaibo Oil Explor	..	..	..	..	37½	16	22¾	13	13⅛	..
Marland Oil	..	..	..	..	63⅝	12⅛	58½	31	35	..
May Department Stores	*88	*65	*97⅛	*35	*174¾	*60	82¼	66¾	78¾	4
Mexican Seaboard Oil	..	..	..	..	34½	5¾	9¼	3	†4⅝	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	16½	13⅛	14¾	1½
Montgomery Ward	..	..	..	..	82½	12	83	60⅜	81¾	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅜	150½	94¾	146	5
National Dairy Prod	..	..	..	..	81⅞	30⅛	68⅞	59¼	60⅛	3
National Enam. & Stamp	30¼	9	54½	9	89⅛	18½	35⅜	19⅛	25⅛	..
National Lead	91	42½	74⅝	44	181	63½	129	95	123	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50	40	41⅛	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	64⅞	44	58	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	60⅜	45⅝	58⅞	§10%
Do. Pfd.	..	..	..	..	52¼	31⅞	55	50	†52½	3
Packard Motor Car	..	..	..	..	48½	9⅞	44¼	33¾	42⅞	2.40
Pan-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	65⅞	45⅛	50½	4
Do. Class B	..	..	..	..	111¾	34⅛	66⅜	45⅝	51¼	4
Paramount-Fam. Players-Lasky	..	..	..	..	127½	40	114¾	92	105⅝	8
Do. Pfd.	..	..	..	..	124½	66	124⅜	114⅛	119½	8
Philadelphia Co.	59	37	48⅞	21½	91	26½	110	85¼	†105	4
Phila. & Reading C. & I	..	..	..	..	54¼	34½	47⅝	37⅜	41⅜	..
Phillips Petroleum	..	..	..	..	69⅝	16	60¼	38	42	3
Pierce-Arrow	..	..	65	25	99	6⅛	23⅝	9⅝	9⅞	..
Do. Pfd.	..	..	109	88	127¼	13½	102½	38¾	40	..
Pittsburgh Coal	*29⅝	*10	58¾	37½	74⅝	29	74½	32¾	64	..
Postum Cereal	..	..	..	..	*134	*47	126	92⅝	120	5
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	78	36⅛	73¼	..
Do. Pfd.	112	88⅛	109⅛	69	106	67	92½	76⅛	†86	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	46¼	32	45	2
Pullman Company	200	149	177	106½	199½	87¼	82⅜	73¾	80¼	..
Punta Alegre Sugar	..	..	51	29	120	24¾	46⅞	44⅛	36⅛	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	33½	25⅝	26⅜	1½
Radio Corp. of Am	..	..	..	..	77⅞	25⅞	68¼	41⅛	63⅛	..
Ray Consol. Copper	27½	7⅛	37	15	27½	9⅞	15⅝	13⅛	15⅛	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	75⅞	56⅛	64	4
Do. Pfd.	111¼	64⅛	112⅝	72	106¾	74	106	96⅝	†103	7
Royal Dutch N. Y.	..	..	86	56	128⅜	40⅜	54½	44¼	45⅜	3.13
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	72½	45⅝	47	4
Schulte Retail Stores	..	..	..	..	*134⅞	*88	57	47	53¼	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	*54¼	77¾	51	76⅜	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	47⅞	42⅛	†41¾	2.41
Shell Union Oil	..	..	..	..	31	12⅛	31¾	25¼	25⅞	1.40
Simmons Company	..	..	..	..	54⅝	22	61½	33⅛	56⅝	2
Simms Petroleum	..	..	..	..	28½	6⅛	22¾	14¼	†17	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	22⅜	16	17	..
Skelly Oil	..	..	..	..	37⅛	8⅝	37⅜	24⅛	†26½	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19⅛	143½	32⅛	134¼	113	†121	6
Standard Oil of Calif	..	..	..	..	*135	47½	60¾	50⅜	53¾	‡2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	41⅜	35⅞	39¾	‡1
Stewart-Warner Speed	..	..	*100½	*43	*131	21	70⅞	54¼	68½	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	54½	26⅛	†34	2
Studebaker Company	49⅛	15¾	195	20	*151	30½	63½	49	57¾	5
Do. Pfd.	98⅛	64½	119½	70	125	76	123	118	†120	7
Tennessee Cop. & Chem	..	..	21	11	17¼	6¼	13¼	8⅛	8¾	½
Texas Co.	144	74½	243	112	58	29	58	45	51¼	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	81⅜	49	73⅜	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	18⅞	12	14⅜	.60
Tide Water Oil	..	..	225	165	*195	5½	29⅛	19	23½	.80
Timken Roller Bearing	..	..	..	..	85⅜	28½	142½	78	115½	4
Tobacco Products	145	100	82⅜	25	116⅝	45	110⅜	93⅛	96⅛	7
Do. Class A	..	..	..	..	118⅜	76	118	108	111	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	9¾	3⅜	7⅛	..
Union Oil of Calif	..	..	..	..	58⅜	33	56½	39⅝	42	‡2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	38⅛	34⅞	34⅞	.80
United Drug	..	..	90⅞	64	175⅛	46¼	182⅞	159	174	9
Do. 1st Pfd.	..	..	54	46	59	36⅝	60⅛	58⅛	†59⅞	3½
United Fruit	208½	126⅛	175	105	*294	95¾	150	113⅛	143	‡4
U. S. Cast I. Pipe & F	32	9¼	31⅞	7¾	250	10½	246	190⅛	203	10
Do. Pfd.	84	40	67½	30	118	38	118	112	†113	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35½	89	69	76⅛	5
U. S. Realty & Imp	87	49¾	63¾	8	*184½	17	67½	54	62	4
U. S. Rubber	59½	27	80½	44	143¾	22⅛	67⅛	37¼	56⅜	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	111⅜	85¾	102	8
U. S. Smelt., Ref. & M'n	59	30⅝	81½	20	78¼	18⅜	44	33⅝	40⅛	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	160¼	111⅜	146⅞	7
Do. Pfd.	131	102½	123	102	130¾	104	136⅞	129	136¼	7
Vanadium Corp.	..	..	..	..	97	19⅛	56¾	37	51⅛	3
Western Union	86¼	56	105½	53⅜	157⅞	76	170½	144½	†160	8
Westinghouse Air Brake	141	132½	143	95	146	76	50½	46⅝	47½	2
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	89⅝	67⅝	83⅝	4
White Eagle Oil	..	..	..	..	34	20	27½	22	22¼	2
White Motors	..	..	60	30	104⅛	29¼	58⅜	36	40	4
Willys-Overland	*75	*50	*325	15	40¼	4½	24¾	14⅝	15	..
Do. Pfd.	..	..	100	69	123⅞	23	96	87	93	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	32⅞	16¼	24	..
Woolworth (F. W.) Co.	*177⅞	*76⅛	*151	*81½	*345	72½	192	117¾	184⅛	5
Worthington Pump	..	..	69	23½	117	19	46	20½	33⅛	..
Do. Pfd. A	..	..	100	85⅞	98½	44	61½	46	†50	..
Do. Pfd. B	..	..	78⅜	50	81	37⅛	54½	40	43	..
Youngstown Sh. & Tube	..	..	..	..	95¼	59¾	97¼	81¾	84¼	5

† Bid price. ‡ Not including extras. * Old stock. § In stock.

Securities and Commodities Analyzed, Rated and Mentioned in this Issue.

ANSWERS TO INQUIRIES

(Continued from page 1042)

company, the subsidiaries of which represent a complete unit in the petroleum industry, the organization, as a whole, at present being the third largest producer of crude oil in the country. Properties are mainly in California and the Mid-Continent field, with important development work now under way in West Texas. Gross income was 22 millions in 1922 with almost consistent yearly increase to 65 millions in 1926, and after liberal charges for depreciation, depletion, etc., equal to an average of 20% of gross in the four-year period, net has steadily increased each year from 9.5 millions in 1922 to 31.5 millions in 1926. Capitalization is 50 millions funded debt and 10 million shares no par common shares. Profit in 1926, applied to present capital structure, were equal to $2.90 per share against $1.80 in 1925, followed by 63 cents per share in the first half of 1927. A high credit standing is evidenced by the sale, in April, of 50 millions debentures at slightly above a 5% basis, the proceeds being used to retire about 17 millions of 6% preferred stock at 110, and other corporate purposes. The company is strongly entrenched, both financially and tradewise, and may be expected to weather without serious difficulty, the present period of uncertainty in the petroleum industry. We regard the shares as being among the more attractive in their class, and desirable to hold for the reasonably long pull.

CHILDS CO.

What is the outlook for Childs Stock? I understand that this restaurant chain is switching into the vegetarian field. I am wondering if this is likely to hurt its earnings? I have been a stockholder for several years and could sell out at about 12 points above what it cost me in addition to having had about 6 per cent on my original investment right along.—J. M. P., Detroit, Michigan.

While it is true that food menus of Childs contain propaganda extolling the health properties of vegetables, the company, as yet, has made no attempt to eliminate the more hardy meat dishes. Serving, as it does, in its large chain of restaurants, over one million meals weekly, it is obvious that Childs caters to a large public and hence must provide for a wide variety of tastes. Incidentally, profit margins on seasonable vegetables should be slightly wider, as opposed to meat dishes. The company has shown very promising expansion both in the scope of its activities and earning power and while net earnings have not gained materially, average results have been wholly satisfactory. The company's large real estate holdings also provide an additional source of income, offsetting to a degree, seasonal fluctuations in operating income and it is generally believed that the balance sheet places a very conservative value on these properties. Under

(Please turn to page 1066)

the guidance of a capable and energetic management, a continued normal growth in earning power may be anticipated, accompanied by market price enhancement in the common stock. To be sure, the shares do not yield a high return, but in the light of well defined prospects they may be rated as constituting a desirable holding. Stable earning power should provide the shares with a factor of resistance in a reactionary market.

KRESGE DEPARTMENT STORES

What is the connection between Kresge Department Stores and the S. S. Kresge Company. I have a severe loss in Kresge as it is selling now for less than half what I paid for it a little more than a year ago. Is there any likelihood of this company ever getting on a profitable basis which will enable it to pay dividends?—O. H. P., Battle Creek, Michigan.

While the affairs and management of the Kresge Department Stores, Inc., are in the hands of the same people as S. S. Kresge Co., no corporate connection exists at this time. Kresge Department Stores, Inc., was organized about four years ago to operate as a chain of department stores and acquired L. S. Plaut & Co. of Newark, together with the Palais Royal, a large department store in Washington, D. C. Later, the company purchased a stock interest in The Fair. A net profit from operations was shown in the fiscal year ended January 31, 1925, but a sharp decline occurred the following year and net sales for the year ended with January of this year declined 50%, resulting in a net loss of $343,490. Profits from sale of real estate, etc., of $427,000, however, enabled the company to show a net profit. Unfavorable earnings culminated in the omission of dividends on the preferred shares, earlier this year. The sharp decline in sales reflects the slowing up in operations occasioned by the demolishing and rebuilding of the Newark store. The new building is practically completed but it has been officially reported that it is likely to be three or four years before operations will be productive of profitable results. Obviously, such merit as it might be possible to concede the shares is of an extreme long pull character and retention hardly seems warranted except in the case of those shareholders endowed with patience and in a position to assume more than an average degree of speculative risk.

SEARS, ROEBUCK

Why has Sears, Roebuck had an advance of almost 25 points this year? Is there a possibility that the company will increase its dividend? It does not appear to me that the price is justified on the return at the present rate. I have only 20 shares of the stock but I do not want to let a profit market opportunity go by if you think the recent rise has been only a result of technical market positions.—E. J. M., Oxford, Illinois.

Following a drastic falling off in gross sales in the sub-normal year 1921, Sears, Roebuck has since enjoyed steady yearly increase in both sales and profits to record totals in 1926, when 272.7 millions sales were reported producing 22 millions net income equal to $5.22 per share on the

4.2 million shares now outstanding. Ratio of net income to total sales was about 8.07% in 1926 against 8.1% in 1925. January and February sales this year were slightly under the same months of 1926, but improvement has been shown in subsequent months so that 174.6 millions sales in the first eight months represent an increase of about 4½% over 1926. Due to the enhanced buying power of agricultural districts resulting from large crops at favorable prices, and the establishment of retail stores at strategic points, sales are likely to show a correspondingly larger increase in the remaining months of the present year. Financial condition is sound, and some revision upward in dividends over the $2.50 per share annual rate now prevailing seems warranted whenever directors so elect. However, while the shares have merit for the long, market prices seem high enough for the present.

GLIDDEN CO.

I bought 25 shares of Glidden at 25½ in 1925—just missing the high price of the year. You advised me early this year when the stock was around 20 to switch into something else but I neglected to do so. The stock has dropped to such a point that I am now thinking that it would be to my best interest to average down my cost. Do you think the stock has declined as far as it is likely to and that it is a buy at present prices?—K. L. K., Memphis, Tenn.

Glidden is one of the largest manufacturers in the United States of paints, varnishes, japans, chemicals, insecticides, etc. An examination of the company's past record discloses an erratic and rather unsatisfactory career. Nothing was earned on the common stock in 1921 and 1922, followed by $1.88 per share in 1923, $2.53 in 1924, $4.06 in 1925 and $3.24 in 1926. Results from operations in the first six months of 1927 show 69 cents a share against 89 cents in the same period of 1926. Operations are subject to very keen competition, and while considerable effort is being made to improve the company's position through the introduction of new products and increased production, that, to date, has not found reflection in increased profits. In the meantime, financial condition could stand improvement. April 30, 1927, balance sheet discloses current assets of 10.7 millions, current liabilities 4.2 millions, leaving 6.5 millions net working capital. Cash amounted to about 700 thousand, and bank loans 2.3 millions. Conceding the eventual success of present efforts to improve earning power, we see little incentive to retain the shares at this time.

SCHULTE RETAIL STORES

Please tell me if I should sell Schulte Retail Stores which has just made a new high for the year. I have about 9 points profit. Also give me some information regarding the company's outlook and stock market prospect regardless of whether you advise me to hold or sell?—L. E. G., Chicago, Illinois.

Schulte Retail Stores, through subsidiaries, operates the second largest tobacco chain store organization in the United States. In addition, it manufactures part of the cigars sold, and

proposes to extend activities along the latter lines through its interest in Union and United Tobacco Corp. The company also is engaged in extensive real estate operations. The management pursues an energetic expansion policy and, in recent years, has acquired control of several companies engaged in allied lines. Sales have shown consistent yearly increase over a ten-year period, profits expanding steadily in each year since 1919. Latest balance discloses a sound financial condition. Current assets amounted to 11.4 millions, including 3.7 cash, against current liabilities of 3 millions, leaving 8.1 net working capital. Earnings in 1926 were equal to $5.06 per share against $4.80 in 1925, with prospects of the steady gain in profits being maintained in the current year. Shareholders seem warranted in looking forward to some revision upward in dividends over the present $3.50 annual rate in the not distant future. We believe the shares well adapted for income purposes and gradual price appreciation, and suggest retaining.

INTERNATIONAL AGRICULTURAL

The improved agricultural outlook to my mind should cause International Agricultural to improve its earning capacity. Would you advise me to buy some additional stock? I originally purchased 100 shares at $6 a share about three years ago and last year foolishly bought 25 additional at 24. If the outlook is improving, I am in position to buy about 50 shares at current prices. I am a subscriber to your Magazine and understand this gives me the privilege of asking for advice.—F. A. E., Joplin, Missouri.

As a result of low cotton prices in 1926, planting was restricted, which together with keen competition and price cutting among fertilizer companies, combined to the distinct disadvantage of International Agricultural Corp. and results for the 1927 fiscal year just ended did not compare favorably with the company's showing in 1926. Gross profits declined 50% and a net loss of $352,315 was shown as contrasted with a profit of $1,406,000 in the previous fiscal year. The company, however, remains in a sound financial position and it is noteworthy that about 90% of sales in the past year were on a cash basis. It is yet too early to more than hazard a guess as to probable results for the 1927-1928 period, but it cannot be denied that the sharp advance in cotton prices is a favorable factor, and may conceivably stimulate the fertilizer market both from the standpoint of demand and price levels. International Agricultural does the majority of its business in the South and stands to benefit following any improvement in fundamental conditions. The common stock, however, by reason of accumulations in back dividends on the preferred, now amounting to 17½%, appears to have been relegated to a rather remote position, and in our opinion, the indeterminate nature of the factors which would result in market price recovery lends a greater degree of speculative risk to retention at this time than is justified by visible prospects.

HEYDEN CHEMICAL

Among my relics of the war is 200 shares of Heyden Chemical. I don't remember just what I paid for it but I think I invested about $750 in this stock. Can you tell me anything about it?—E. J. P., Joplin, Missouri.

The Heyden Chemical Corporation, in its present form, is the outgrowth of the Heyden Chemical Works which was sold by the Alien Property Custodian to the Heyden Chemical Corporation of America in 1919. The latter company together with the Norvell Chemical Corporation was acquired by the Heyden Chemical Corporation in 1925. The company is engaged in the manufacture of various chemical products including aspirin and capitalization is represented by 31,000 shares of 7% preferred stock, $100 par value and 150,000 shares of common stock, $10 par value. Complete data covering operations of the company for 1925 is not available, but for the year ended December 31, 1926, on a volume of gross sales amounting to $8,718,000 the company reported net income, after expenses, etc., equivalent to $21.08 per share on the preferred stock and 35 cents on the common stock. We are considerably handicapped in rendering a complete analysis of this company by reason of the lack of comprehensive information and the inability of the average investor to keep in touch with the situation, together with the absence of definite prospects places the shares in a highly speculative category. Present quotations appear to represent a fair valuation of an uncertain situation.

TIMKEN ROLLER BEARING

Why has Timken Roller Bearing shown such a remarkable advance? I have only 25 shares of the stock having bought it in 1924 for $37.50 a share. I was very much inclined to take my profit on the recent bulge but my broker thinks that if I hold on, I will get still more for my stock. I wish you would advise me what to do. —B. A. R., Seattle, Wash.

Timken Roller Bearing is understood to receive about 90% of the motor vehicle bearing business and is steadily expanding its sales in the general industrial field. Application of its products to railroad equipment holds forth promises of adding substantially to future income. Capitalization consists solely of 1,200,882 no par shares. Barring a slight falling off in 1924, earnings have shown consistent yearly increase since 1921, profits in 1926 being equal to $8.26 per share against $6.73 in 1925, followed by $4.50 in the first half of 1927. Incoming railroad business is reported satisfactory and automotive business is understood to be running about 25% ahead of 1926. Income from railroad sources, however, does not, at present, contribute largely to profits, the full development of this division lying some distance ahead. Current assets at the end of 1926 amounted to 22 millions, about eight times current liabilities, and cash and its equivalent aggregated 15.5 millions. Market prices of the shares, however, have kept pace with the company's progress to date, and the stock is desirable to hold more for the long pull than immediate prospects.

THE FEDERAL RESERVE BOARD'S DISCOUNT POWER

(*Continued from page* 1002)

Incidentally, it is interesting to know that the acting Attorney General replied to Secretary Glass under date of December 9, 1919, holding unequivocally that "The Federal Reserve Board have the right under the powers conferred by the Federal Reserve Act to determine what rates of discount should be charged from time to time by a Federal Reserve Bank, and under their power of review and supervision to require such rates to be put into effect by such bank."

Senator Glass concedes that an emergency is conceivable in which the Reserve Board would be justified in compelling a Reserve Bank to adopt a certain rate of discount. But who is to determine the presence of such an emergency? Are we to wait for Congress to declare an emergency? So, even on the emergency theory, final authority must rest with the Board. It, and it alone, is judge of what constitutes an emergency.

As a matter of fact the Board was confronted by a critical emergency when it lowered the Chicago rate. The Chicago Bank's higher rate was nullifying the policy of the Board, as reflected in the lower rate of the New York Reserve Bank. In effect the funds that were being released in New York in order to ease the money market were being futilely sucked into Chicago. Thus the previously existing emergency, instead of being met, was actually aggravated. The public was not aware of the gravity of that emergency, and it is just as well that it was not, although in the end publicity might have been the only recourse of the Board in order to hold its position.

The situation was this: The United States, on the whole, has large crops this year and will have need of extensive foreign markets. Agriculture seems to be entering upon a revival and sorely needs the best possible prices that the world situation justifies. But confronting large surpluses here was financial weakness abroad, accompanied by European crops of a size and quality that could be pieced out to meet Europe's requirements if worse came to worst. But Europe has great need of our surplus if the coming year is to be passed with comfort and tranquility. The foreign banks said that they were not equal to the task of financing all the purchases Europe would like to make from the United States.

It was even hinted that if the British banks undertook to do it, Britain could not maintain the gold standard. Moreover, regardless of emergencies, it is not creditable national banking policy to permit discount rates to stiffen every fall just when there is a special but always anticipated demand for money to move the crops. Such a policy is injurious both to our producers and to

our patrons. It retards present and curtails future business. It is despicably petty banking. If we are to remain the custodians of the world's money and banking power we must use it to facilitate and expand trade, instead of to deter and restrict it.

The situation was duly laid before all of the reserve banks, and all but Chicago approved the "easy money" policy.

The Federal Reserve Board was somewhat actuated by the conviction that the general commodity price level needed support, but the determining factor was the conviction that an easing of the money market would contribute powerfully, through its assistance to agricultural exports, to the maintenance of prosperity. As in most great decisions there were a number of factors involved. Behind the event is a wide background of facts and financial theory and opposing interests.

If it comes to a "show-down" and the Board has to "show its hand," in order to obtain public approval, it will be found that it is the Board and not the Chicago bank that is standing for what might be called financial democracy and the interests of the whole country. It will be brought out that the real question is whether a public body, an instrument created by the people, is to determine the financial policy of the United States instead of one or two Reserve Banks. If the Board does not determine national financial policies, insofar as discount rates shape them, they will be determined by the Reserve Banks, and in particular by the New York Bank. It is fortunate that the Board and the New York Bank now see eye to eye—but do the American people want their financial fate to rest with any particular group of bankers?

It is continually evident in the operations of the Federal Reserve Board that all our bankers have not yet risen to the high plane of policy that the successful operation of the Federal Reserve Banks, both in national and international aspects, demand. Bankers are too much inclined to hold that the Federal Reserve System was created primarily for the safety and prosperity of bankers. Such is absolutely not the case. The great purpose of the act is to serve the welfare and prosperity of all business, including the bankers, and all the people. The banks have no special preference in this matter. In fact they must realize that there will be times when they must prefer the general public interest to their own selfish interest—to forego immediate opportunities for profit to themselves in order that the community as a whole may prosper.

It is my judgment that the Board of the Chicago Reserve Bank took a local and, therefore, restricted and rather selfish view, instead of a broad national view in adhering to the 4% discount rate. It was, indeed, a view so local that it was opposed to the general interest of the great region of which Chicago is the metropolis.

With about half the gold of the world in American possession, with credit re-

sources far beyond those of any other part of the world, and dependent for our prosperity, both agricultural and manufacturing, in a great degree, upon foreign trade, it is evident that our greater banking policies must be determined by considerations that reach far beyond county and even state limits. In a sense, the United States is at one and the same time international banker and international merchant. We need to merchandise to all the world, but merchandising is always more or less a matter of credit. It happens that the people to whom we would sell must obtain their credit from us. If credit arrangements are too onerous they cannot buy. Therefore, in very large measure the Federal Reserve System has the power to determine the course of vital international trade. In such circumstances, although a 4% rate might have seemed more immediately advantageous to the directors of the Chicago Bank, the greater national interest should have impelled them voluntarily to establish a rate of 3½%.

Without any intention of making invidious comparisons, but merely to give credit where credit is due, I think it is only proper to say that the public should be assured that the nation is very fortunate in the type of men who direct the policies of the Federal Reserve Bank of New York and of the banking community generally of that city. I think the correct word to use in describing their attitude is "unselfish." Governor Strong and his associates always take the view that the broader interest must always be served over the narrower interest. This is high banking as it should be. This is the sort of banking that we need throughout the country. It is the kind of banking that is in line with the new and better business policy which recognizes that profits are not the sole motive of business, and that other ends must also be taken into consideration in determining the policies of those financial and industrial institutions that have far outgrown the classification of purely individual concerns.

We have become the central banking power and credit controlling nation of the world. We occupy a lofty position, one which can determine the economic course of the world, and our prevailing policy must be equally lofty.

For Feature Articles to Appear in the New Issue See Page 997

INSURANCE QUESTIONS AND ANSWERS

(*Continued from page* 1038)

old. If this is considered a wise step by you will you please advise me what kind of policy to take, and also whether it would be possible to provide for the death or disability of the premium payer in the same contract? Thanking you for your favor, I am, very truly yours.—S. T. R.

We do not advocate placing insurance on the lives of young children. The parents would not, of course, wish to benefit by the death of the child; indeed, some companies will only write Children's Endowments, with the stipulation that in event of the death of the child insurant before maturity of the policy there is no return other than premiums paid.

It is better to place the policy on the life of the parent for the benefit of the child. By doing so, if the parent dies at any time after the issuance of the policy and before maturity (in the case of an Endowment), the proceeds at once become available for the education of the child, or may be held in trust by its duly appointed guardian. If the insurance were placed on the *child's* life, and the parent (the breadwinner) were to die during the existence of the policy, it is always possible that there might not be sufficient funds in the estate to continue the premiums on the child's insurance. The inclusion of the Disability Benefit and additional Accidental Death Benefit in the father's policy would make the coverage that much broader.

A TURNING POINT FOR RAILS

(*Continued from page* 1007)

this plan would seem perfectly plausible.

Those who direct the affairs of the St. Paul, about to be reorganized and to make a fresh start in the Northwest, are of an entirely different opinion. They maintain in no mistaken language that if the I. C. C. were to approve the unification plan that the Northern companies have lodged with it the St. Paul would be placed at a great disadvantage. They hold also that the putting through of this plan would completely unsettle the general railroad situation in the northwest instead of helping to stabilize it, as every unification plan is supposed to do.

Accordingly, the St. Paul's representatives have made it known that they intend to fight the Northern companies' plan vigorously. This struggle will begin at the hearing before the I. C. C. in Minneapolis. There is every indication that the fight will continue to the very end. The St. Paul will be joined in its opposition by several small roads in the Northwest that certainly would be "left out in the cold" if

Office Appliance and Equipment Service Department

Because of the tremendous amount of correspondence we handle in connection with our Inquiry Department as well as on account of the attendant minute bookkeeping and accounting problems, we had to equip our offices with practically all the outstanding time saving and efficiency increasing devices on the market. As a matter of fact, we are replacing continuously these devices by improved ones as they are being put on the market. We want to give our readers the benefit of our experience and tests covering nineteen years and will be glad to answer any requests for information as to how we have conquered the problems that of necessity have arisen in an organization as large as ours. In addition to such information we will arrange to have our readers supplied with literature dealing with the solution of their particular case.

There is no charge or obligation connected with this service, but we shall be glad to have you check the information desired on the coupon below and, ATTACHED TO YOUR BUSINESS LETTERHEAD, mail to O. A. & E. S. Department c/o The Magazine of Wall Street, 42 Broadway, New York City.

---------------TEAR HERE---------------

- ☐Adding Machines.
- ☐Calculating Machines.
- ☐Billing Machines.
- ☐Bookkeeping Machines.
- ☐Addressing Machines.
- ☐Autographic Registers.
- ☐Check Protection Devices & Systems.
- ☐Dictating & Transcribing Machines.
- ☐Duplicating Machines & Systems.
- ☐Loose Leaf Binders, Equipment & Systems.
- ☐Visible Indexes.
- ☐Accounting & Tabulating Machines.
- ☐Time Recording Devices.
- ☐Continuous Forms for Multiple Copies of Checks, Confirmations, Bills, Orders, etc.
- ☐Intercommunicating Systems & Equipment.
- ☐Typewriters.
- ☐Automatic Typewriters.
- ☐Typewriter Copy Holders.
- ☐Office Furniture.
- ☐Filing Equipment.
- ☐Scales.
- ☐Automatic Segregating & Filing Devices.
- ☐Mailing Room Equipment—Stamp Affixers, Envelope Sealers, Mechanical Letter Openers, Postage Meters, Sealing Wax Machines.
- ☐Stencil Cutting Machines.
- ☐Sectional & Movable Office Partitions.
- ☐Papers for Office Use.
- ☐Numbering & Dating Machines.
- ☐Cash Registers.
- ☐Telephone Devices—Mufflers, Hearing Devices.

Oct. 8, 1927

they were not embraced in the Northern companies plan or that of some other group yet to be brought out. In considering the attitude of the St. Paul it should be borne in mind that in the general I. C. C. grouping plan it was placed with the Great Northern. A daughter and son-in-law of James J. Hill are opposing the plan also.

In addition to the prominent men already mentioned on the Northern companies' side of this struggle, there are many others, some of whom are even better known. Most prominently might be mentioned George F. Baker, "The Dean of Wall Street Bankers," Howard Elliott, chairman of the Northern Pacific and Ralph Budd, president of the Great Northern.

The Southwest During the summer bankers and counsel were hard at work in preparation for the next scene in The Battle of the Southwest. It has to do with a plan for putting together the Kansas City Southern, Missouri-Kansas-Texas and the St. Louis South Western. It will be recalled that the original plan was turned down in no uncertain terms by the I. C. C. It was opposed at the hearings before that body by a director and substantial owner of the common stock of the St. Louis South Western and by various short roads in Texas, together with the Short Line Association, which embraces the greater number of short roads throughout the United States.

The "battle" that L. F. Loree and his associates have on hand with respect to this situation is more between minorities and short lines and themselves than with respect to the larger roads operating in the same general territory. The I. C. C. rejected the original plan partly because it did not favor the Kansas City Southern being used as the holding company. One of the big problems ever since has been to find another company for that purpose. It is understood that a part of the interests who have the making of the new plan in hand favor using the Missouri-Kansas-Texas, while others believe this would be altogether unwise and are standing firmly for the organization of a fourth company that would exchange its securities for those of the other three.

This proposal made it seem necessary to have a careful examination made of the three properties particularly with a view to determining their respective earning power and relative intrinsic value. Only recently the report was completed and delivered to the two prominent international banking houses and their attorneys who have the making of a new plan in hand. The report has been discussed by committees representing the three companies. Later definite action will be taken by their directors upon a revised plan, when it is formulated, which, in turn, will be filed with the I. C. C. This may be done during October.

Hearings will then be set by that

body and the big battle will be on. It is believed that the greatest opposition will come from the small lines in Texas. Unfortunately, Mr. Loree some time ago, when in that state, was reported to have declared that many of them should be "scrapped." Apparently, the owners of those properties have not forgotten that statement. The head of a small road that was cast off by the Missouri-Kansas-Texas in its reorganization appears to be leading the opposition of the small Texas lines.

Obviously, in view of the foregoing outline of the railroad merger situation in the East, Northwest and Southwest, no one would be rash enough to name even an approximate date for the ending of these gigantic struggles and the signing of peace treaties.

In the meantime these engagements are bound to affect directly the securities of the companies involved and to have an indirect effect at least upon the market as a whole for railroad securities and likewise upon the question of consolidation, viewed in a broad way.

Some time ago THE MAGAZINE OF WALL STREET published an article on the general idea, "Will Railroad Consolidation Ever Be?" Some keen observers, even among prominent railway executives, are now asking, "Should Railroad Consolidation Ever Be?"

WHAT TO LOOK FOR IN NEW SECURITIES

(*Continued from page* 1021)

equity and asset position, amount and market value of junior securities if any, prospects for the industry and company, caliber of management, etc.

The Next Step

The next step is of great importance in preventing, not a total or severe loss of capital, but annoying smaller losses. It is to check the offering price of the issue which he is asked to buy with the market prices of similar issues already outstanding, remembering that the new issue, merely because it is new, should give him a somewhat better return on his money than an equally good older one which has had time to be absorbed by ultimate investors and "digested" or seasoned.

Of course it is essential to make sure that the securities so compared really are alike, in a practical way. It would be misleading to compare, say, a railroad bond with a coal bond, or a chain store preferred stock with a steel preferred. By using sufficient care in this respect, surprising disparities may be uncovered, which will show the new offering to be either a great bargain or grossly overpriced. In either case, sooner or later the market will take cognizance of the fact and the price adjusted to the right level, to the investor's gain or loss, as the case may be.

FOREIGN TRADE EXPERTS SEE NO CAUSE FOR ALARM IN FRENCH TARIFF THREATS

(*Continued from page* 1009)

United States might have a similar result.

IS There Likely to Be An Economic "United States of Europe" in the Future?

The United States of Europe which the more sanguine dream can be created would have big economic difficulties. Industries and cities have been built up through the maintenance of tariff frontiers, and the destruction of these would throw whole populations out of business. That is, the distribution of population, though artificial, has come to have a very definite relation to the political boundaries of the various countries. For example, if Belgium were free to export iron and steel products without paying any duties to Spain, it could kill off the iron and steel industries of Spain. Free export of French wines to Germany would seriously handicap the wine growing regions of Germany. Similarly the abolition of all tariff frontiers in Eastern Europe would almost certainly upset the economic position of all the highly protected industries which the succession states have tried to create.

WHAT Are the Important Lines in Which American Trade to France May Develop?

(1) *Machines*

Before the war Germany dominated the French machinery market, especially in machine tools. During the war England and the United States replaced the Germans and have held this market after the war, during which time also a local manufacture of greater size has developed, but only in the more ordinary grades of machines. Thus, American exports to France have, even in the post-war period when the tariff rates have been several times increased, continued to be at a good level so far as special machines are concerned. There seems to be no reason to believe that the French machine manufacturers will soon be able to supply this market.

The German competition in this line, will, however, be increased with the adoption of the French-German commercial treaty giving Germany most favored nation treatment, and the United States should try to get the same thing. On most lines of machines we had previously gotten favored nation treatment. Whether we will get it on the lines on which we do not, and on other goods, depends on the outcome of the efforts maae to bring France to abandon the discriminations now in force against American goods.

(2) *Agricultural Machinery*

France has heretofore been one of the best European markets for American agricultural machinery. Since the war there have been a large number of small firms set up within the country which have made goods on American lines. This development has been fostered through the expiry of American patents. In addition, the International Harvester Company has set up a large branch in France which now manufactures practically a complete line of agricultural implements including, since last year, the McCormick and Deering binders. They supplied last year from the French plant about 40 per cent of all the binders used in the country, and plan ultimately to produce in France all the machines which this company formerly shipped from the United States.

Similarly, Massey-Harris is establishing a plant in France and exnects to do work like that which the International Harvester Company has begun. The closing of the Case and McLine branches (now reduced to agencies) is an indication of what is happening to the importers of agricultural machinery. The Johnson Harvester Company also does not find the French

market now as good as formerly. In agricultural machinery, therefore, it seems American trade must decline.

(3) *Automobiles*

The French market for American automobiles has never been large. The French automobile industry is, from a French point of view, well developed though the large number of makes of cars and the rapidly changing models supplying a limited market make the economic organization of the industry a very poor one. It is, however, a point of national pride to keep up this industry, and the present tendency seems to be to bring to it a more or less artificial prosperity through raising the tariffs rather than forcing the French manufacturers to reorganize their industry on a basis which will let them meet foreign competition.

The co-operation or local development of foreign enterprise has not been looked upon favorably by the French automobile industry. The Ford company set up first an assembling plant at Bordeaux and later took the first steps toward establishing a branch factory at Asnieres near Paris.

In the first years of the activity at Bordeaux, sales rapidly increased. They rose to about ten or twelve thousand a year—a good figure for France. After the establishment of the Asnieres plant, the management tried to make more and more of the car in France in the belief that this would disarm local prejudice. They have even expressed in some of their announcements an intention to make as much as three-fourths of the car French. As a matter of fact, most of the parts have come from the United States and only body work has been done to a large degree in France up to the present. This method of making the production as far as possible French, however, has not disarmed local prejudice.

The proposed tariff on automobiles will further handicap American exports of cars to France. The rate in the present tariff is 45 per cent ad valorem, but this with the luxury and other charges brings the actual tax on an American car before it can be put into running up to about 60 per cent. The actual sales price of an American car in France is about twice that in the United States.

(4) *Textiles*

There is no important market for American textiles in France. Some specialties can sell here and have a rather remarkably encouraging sale. An example is the rapid growth of the sale of the Jantzen bathing suit, a very expensive line which it was prophesied would have no success at all. It has had very good success among both tourists and better class French. American silk stockings have a fair sale, and are recognized as being much more durable than the French goods. A number of lines of men's socks have been sold successfully, but the textile

(Please turn to page 1086)

New York Curb Market

IMPORTANT ISSUES

Quotations as of September 27

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Albert Pick Barth wi.†	14¾	12⅞	13¾
Aluminum Co. of Amer.	105½	67⅞	99
Amer. Cigar (8)	148¼	115	118
Amer. Gas Elec. (1)††	117½	68¼	115⅝
Amer. Super Power A (1.2)†	41	27¼	41
Celotex Co. (3)	85¾	70	76½
Centrif. Pipe (0.60)*	18⅞	9¾	14
Cities Service New (1.2)†	58¾	40¼	49⅝
Cities Service Pfd. (6)†	91¼	87⅛	91¼
Consol. Gas of Balt. (2½)	63⅞	50⅞	62¼
Consolidated Laundries (2)*	22¾	15⅛	16⅝
Curtiss Aero†	46⅜	19	44
Curtiss Aero Pfd. (7)†	110	84¾	108½
Durant Motors†	14⅞	5¾	9⅞
Elect. Bond Share (1)†	79¾	66⅛	78½
Electric Investors†	42½	32⅜	41¾
Fajardo Sugar (10)	165½	150	160
Ford Motor of Canada (15)	566	393	515
General Baking A (5)*	75⅝	52⅛	71¼
General Baking B*	7½	4⅝	7⅛
Gillette Safety Razor (3)†	105⅜	86⅛	103¼
Glen Alden Coal (10)†	183¾	159½	179½
Gulf Oil (1.5)†	96½	86¼	93½
Happiness Candy Store (50)	7	4⅛	6⅛
Hecla Mining (2)†	16⅛	12⅜	16
International Utilities B	7⅜	3	6
Johns-Manville, new (3)	120¾	55½	113⅞
Land Co. of Florida†	36	18	23⅛
Lion Oil Refining (2.25)*	27½	21⅛	22
Lone Star Gas (2)	49½	37¼	48⅛
Metro Chain Stores††	57½	30	55
Mountain Producers (2.60)†	26⅞	22¾	23½
New Mex. & Orizona Land†	16	9¼	10¼
New Jersey Zinc (12)	194¾	178	186
Nipissing Mining (30c)*	10¼	5⅛	7¼
Northern Ohio Power†	17¾	9⅞	17⅛
Pacific Steel Boiler (1)*	13¼	9½	12⅜
Puget Sound P. & L.†	35¼	28	32¾
Reo Motor (80c)†	23¾	19½	22¼
Salt Creek Producers (2½)†	32	27¼	28½
Servel Corporation A†	10¾	.52	.60
So'east Pwr. & Lt. (new 1)†	38⅛	29⅜	37¾
So'east Pwr. & Lt. Pfd. (4)	83½	67⅛	81¼
Stutz Motors*	21	12⅛	12⅝
Trans Lux*	8⅜	3½	4
Tobacco Products Export†	.4⅜	3	3½
Tubize Artif. Silk† (10)	290	145	281⅛
Tung-Sol Lamp "A" (1.80)	24¾	17¾	21¾
United Electric Coal	33⅛	22⅝	30⅛
United Gas & Improvem't (4)	118⅞	89	116⅞
U. S. Gypsum (1.60)	110	90	108½

STANDARD OIL STOCKS

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Continental Oil (1)	22⅝	16½	17¾
Humble Oil (1.6)†	65¼	54	63½
International Pet. (.75)	34⅞	28¼	33⅜
Ohio Oil (2.75)	64¼	52	60
Prairie Oil & Gas†	55½	45⅝	51⅜
Standard Oil of Ind. (3.5)†	75¼	64¾	73⅝
Vacuum Oil (6)†	134¾	95⅛	126⅞

* Listed in the regular way.
† Admitted to unlisted trading privileges.
†† Applications made for full listing.

Prices on the curb market have been characterized by considerable irregularity during the past fortnight. A number of industrials and the majority of public utilities were active and strong, while in other sections of the list severe recessions occurred. A feature of the advance was *Tubize Artificial Silk*, which rose spectacularly to a new high at 290.

THE United Gas Improvement Company, whose stock is traded on the Curb and the Philadelphia Stock Exchange has been noticeably active in both markets recently in spite of a substantial rise in price earlier in the year—a performance that suggests that the present level is not beyond a range for investment buying. Since the first of the year the company has, made a number of important acquisitions, taking over control a few months ago of Day & Zimmerman, Inc., a public utility operating concern, formerly identified with A. E. Fitkin & Co. The company's expansion program is by no means completed and further acquisitions and unification of properties under the company's direct operation all tend to place the junior shares in a position not comparable with past stock market price levels.

The United Gas Improvement occupies an important position as a public utility investment company, its vast interests including sizable blocks of stock in such utilities as The American Gas Company, American Public Utilities Co. of Chicago, Midland Utilities, Chicago, Mohawk Hudson Power Co., Welsbach Company, National Public Service Co., New England Power Association, Northeastern Power Corp., Southeastern Power & Light and others. Affiliation with the Westinghouse Electric & Manufacturing Co., is hinted at since the election of Richard B. Mellon, of the Mellon National Bank of Pittsburgh, the Mellon interests being heavily interested in the electric manufacturing company. Acquisition of Philadelphia Electric Co., through similar affiliation has also been rumored.

Among the company's extensive holdings of public utility shares, it is known that substantial appreciation in value has accrued within recent years and the potential investment profits while not showing up in the financial statements are thought to be by no means fully discounted by the rise through the summer of U. G. I. on the Curb. Attention was called to the prospects of this company in these columns earlier in the year. In view of the broadening scope of its influence in the public utility investment field and its recent acquisitions the shares still seem in line for long range investment buying on the recessions.

KEEP POSTED

"INVESTING FOR SAFETY"—
The newest publication of S. W. Straus & Co., 565 Fifth Ave., New York City, describes in detail the methods followed by this organization in underwriting first mortgage real estate bond issues. Send for your free copy 217.

CONSISTENT INVESTMENT SUCCESS
The sound investment principles followed by the Brookmire Service and the adaptability of these principles to the requirements of every investor, large or small, is described briefly in this interesting booklet. Send for your free copy 413.

WHY WE CHOSE ATLANTA
See what Atlanta can mean to your business. Send for this free booklet giving the experience of more than 600 concerns now in Atlanta. (363)

THE PARTIAL PAYMENT
method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

A SUGGESTION TO INVESTORS
This booklet explains in detail the features of Odd-lot investing. If interested, the prominent N. Y. Stock Exchange firm issuing this booklet will be pleased to send you a complimentary copy. Ask for 278.

AN INVESTMENT IN WORLD ENTERPRISE
Describes the advantage of placing your funds in the Investment Trust of the North American Investment Corporation, a Pacific Coast Company, whose funds are invested in more than 125 carefully chosen securities of outstanding industries. Send for your free copy 427.

BONDS OF AMERICAN INDUSTRIES
How Corporation Bonds are issued and how every possible safeguard is thrown around them for the protection of the investing public is interestingly told in this booklet which you can obtain without obligation by asking for 321.

LEADING NEW YORK BANK STOCKS
Due to excellent records over a long period of years, the stocks of New York City banks are rated among the best in the investment field. Send for your free copy of this interesting folder 412.

6% AND SAFETY LIST
For over fifty years we have been assisting investors in the selection of sound securities and our information department has recently compiled this list which we will send you free. Ask for 313.

A 7% YIELD FROM FIRST MORTGAGES
on individual homes that do not exceed 50% of valuation is fully explained in a very attractive booklet—also how one may double his investment with absolute safety of principle in 10 years, 26 days. Sent free on request. (415)

IF YOU ARE INTERESTED
in an 8% return on your money with absolute safety, consider the investment features of the B. & L. shares issued by a strong Florida Building & Loan Association. Send for pamphlet 416.

THE BACHE REVIEW
By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Sent for three months without charge. (290)

PORT NEWARK
This booklet gives a most comprehensive description, not only of the Port of Newark, but also of the trading territory immediately adjacent to it. It is well worth reading for the information it contains. Ask for your free copy 410.

THE REAL ESTATE INVESTMENT OF THE FUTURE
Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy (348).

OVER THE COUNTER
Opportunities which constantly crop up in high grade over-the-counter securities are analyzed in a house organ issued bi-monthly by an unlisted securities house. Copies mailed on request. (373)

THREE SOUND METAL STOCKS

(*Continued from page* 1033)

rous and precious metals. It is constantly developing and purchasing additional sources of raw material and the management has not even begun to think of the end of its productive life.

Nor is it easy to arrive at a good idea of how much copper the company might be able to produce under favorable metal market conditions. Capacity certainly is over 100 pounds per share, thus placing the company in the group of conservatively capitalized copper producers. The management has many different types of ore available, and tries to adapt the grade and character of ore to metal market conditions. When silver is high, it mines ore of a high silver content, and when silver is low it conserves silver ore reserves. Output, therefore, depends almost as much on silver market conditions as on copper market conditions. In fact, in times of high silver prices, Cerro really is as much of a silver producer as it is copper producer.

For the past year or so, Cerro de Pasco stock has been less active than the shares of some of the other major coppers, due partly to silver market conditions and partly to selling by an estate and by a large holder who is said to have been taking profits. It is understood that much of this pressure on the market now has been removed, the shares have been acting better lately. *The stock essentially is more speculative than Kennecott, but the company's liquid financial position is stronger than that of either Kennecott or Anaconda, and the issue has the advantage over Anaconda in that there are no bonds ahead of it. It is not extravagantly priced at current quotations.*

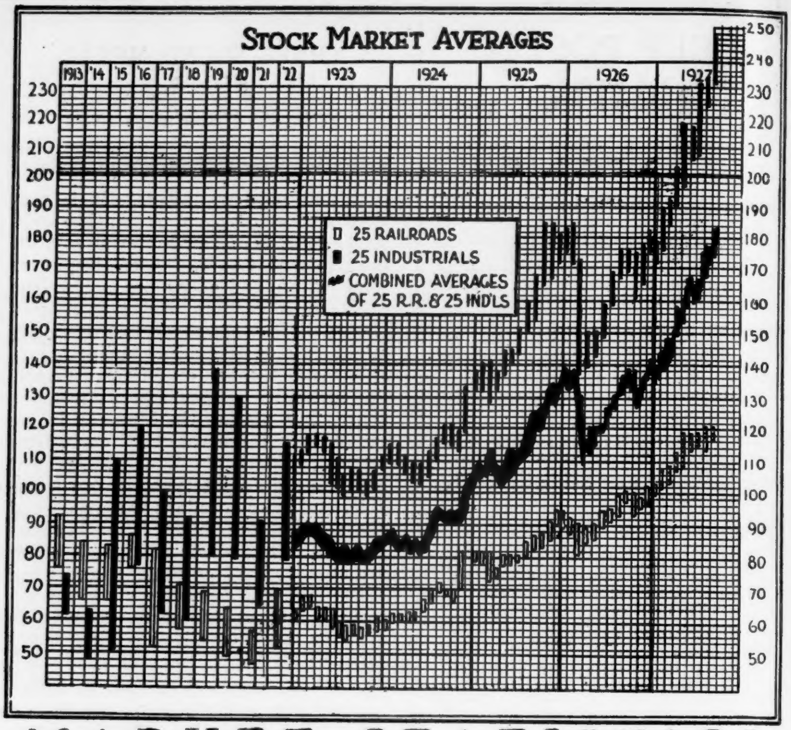
TO BUY OR NOT TO BUY

(*Continued from page* 1037)

fear that the roof will leak, or the house need repainting or the shrubbery die? Do I curse the new building activity on my block lest empty houses bring down the value of my investment? No. None of these, for I am a renter.

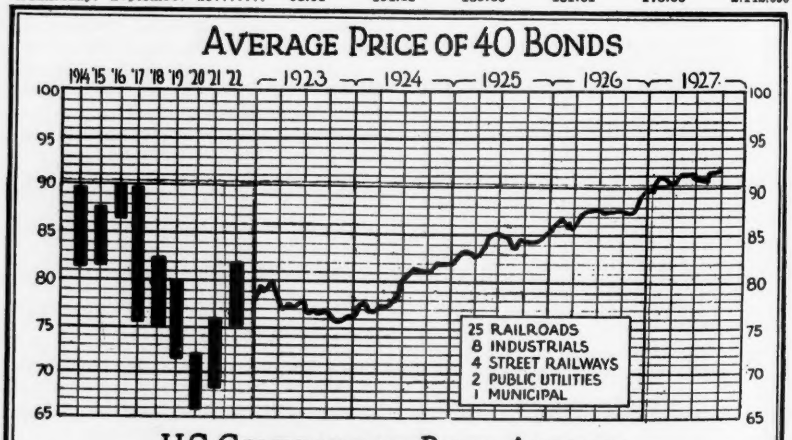
And I am a renter because I had the moral courage to admit to myself seven years ago that I was not particularly well suited to the real estate business. There are profits and a pretty good return on well selected property to be sure—but not for me! There is profit in making men's suits and shoes also, but I am content to let somebody else make that profit while I continue in my own profession and pay their price. There is a good profit in the restaurant business and among others that I use

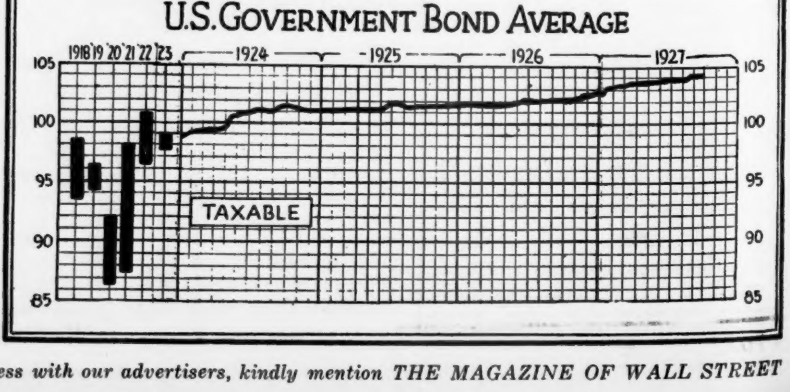
(*Please turn to page* 1083)



MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, September 15	91.76	198.97	140.08	183.39	180.20	2,694,680
Friday, September 16	91.72	198.85	139.69	183.83	180.67	2,598,440
Saturday, September 17	91.70	197.70	139.26	183.21	181.72	1,349,500
Monday, September 19	91.71	196.38	138.58	181.99	178.53	2,627,750
Tuesday, September 20	91.70	196.97	140.19	183.65	181.04	2,378,210
Wednesday, September 21	91.78	196.36	139.93	183.15	180.97	2,270,910
Thursday, September 22	91.80	194.65	138.51	181.41	178.26	2,348,350
Friday, September 23	91.90	195.42	138.79	180.88	178.79	1,606,460
Saturday, September 24	91.89	196.83	139.21	181.36	180.11	907,250
Monday, September 26	91.87	194.64	138.48	181.94	178.67	1,948,850
Tuesday, September 27	91.81	195.38	138.73	180.32	178.09	1,897,940
Wednesday, September 28	91.91	194.11	139.68	181.01	178.00	2.142.050





Profits . . . 730 Points / Losses Only . 31 Points — 699 Points Net Profit

On Securities Closed Out This Year

THIS is the outstanding record made by THE INVESTMENT AND BUSINESS FORECAST of THE MAGAZINE OF WALL STREET from January 1 to September 30 of this year. The ratio of profits to losses is more than 23 to 1.

Subscribers to the Forecast keep right on taking substantial profits month in and month out, regardless of market movements. The 699 points net profit already taken during the first nine months of this year represent an average of over 77 points net profit for each month.

The Forecast is not a speculative service. This is shown by its consistently successful record. The definite buying and selling recommendations are based on sound, tried and proven, principles of investment and trading. Separately and in its entirety this unique security advisory service is conducted by experienced analysts who have had many years of practical experience in all kinds of markets.

Here are some of the profits actually taken by Forecast subscribers in the past six weeks:

	Points Profit		Points Profit
B. F. Goodrich	18	American Tobacco B	15
Vulcan Detinning	35½	Studebaker Corp.	9¾
National Dairy Products, 6s	5	Allis-Chalmers Mfg.	11¼
American Chicle, pfd.	13	Engineer's Public Service	6¾
Metro. Chain Stores, 1st pfd.	8	Abitibi Power & Paper	8¾
Federal Lt. & Traction, pfd.	12¼	American Sugar Refining	7¼

There should be many similar opportunities right along. Are you going to profit from them?

SUBSCRIBING to THE INVESTMENT AND BUSINESS FORECAST *now* may net you thousands of dollars by the end of the year. Put our corps of market experts to work for you—let them seek out the opportunities, analyze conditions, weigh the possibilities, and—once a recommendation is made—study daily the action of the security until the time comes to close it out. Simply mail your check for $75—saving you $25 from the regular semi-annual price—with the coupon below and we will:

(a) telegraph you at once (if you wish to take a trading position immediately) what stocks are in the best position to buy or sell at the time the wire is dispatched to you;

(b) send you the regular weekly and all special issues of THE INVESTMENT AND BUSINESS FORECAST for six months;

(c) analyze your present and contemplated holdings at any time during the entire life of your subscription and tell you what to do with each security you own;

(d) wire you during the next six weeks individual profit recommendations covering three stocks of which we will keep a card index record and advise you by personal telegram when to close them out.

The Investment and Business Forecast is the only service conducted by or affiliated in any way with The Magazine of Wall Street.

SIX MONTHS' TEST SUBSCRIPTION COUPON

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street, 42 Broadway, New York City.

Wire Service Wanted?

☐ Yes
☐ No

Oct. 8

I enclose $75 to cover my test subscription to The Investment and Business Forecast for the next six months. I understand that I am entitled to all of the privileges outlined above.

Name ....

Street and No. ....

City .... State ....

☐ Wire me collect upon receipt of this coupon, what trading position to take.

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

	Div. Rate	1927 High	1927 Low	Last Sale Sept. 29
Anglo & London Paris Nat. Bank	$10.00	232	195	220
Bancitaly Corporation‡	2.24	125⅛	89¼	103
Bank of Italy, new	5.24	230	171	230
East Bay Water A Pfd.	6.00	99	96	98⅜
Federal Brandes	....	20⅛	9⅞	18
Great Western Power Pfd.	7.00	105⅝	98⅞	103¾
Key System Prior Pfd.	....	65	20	20
Los Angeles Gas Pfd.	6.00	104⅛	98⅞	103¾
Pacific Telephone & Tel. Pfd.	6.00	116	102	113
Pacific Gas & Elec.	2.00	45	31¼	43⅞

Industrials and Miscellaneous

	Div. Rate	1927 High	1927 Low	Last Sale Sept. 29
Alaska Packers' Assn.	8.00	185	165	180
California Packing	4.00	69⅞	61	64⅞
California Petroleum	1.00	33	21	21⅝
Caterpillar Tractor, new	1.40	44¼	26⅜	43⅜
Foster & Kleiser (cm)	1.00	13½	12	13¼
Hale Brothers	2.00	36⅛	30	31½
Hawaiian Coml. Sugar	3.00	53½	48	51
Hawaiian Pineapple	1.80	56	48	52
Home Fire & Marine	1.60	33¼	28½	33¼
Honolulu Cons. Oil	2.00	42¼	33¾	35⅞
Hunt Brothers Packing "A"	2.00	26¼	23	23
Illinois Pacific Glass "A"	2.00	38⅝	31¾	36
North American Oil	3.60	48	28¾	37⅛
Paraffine Common†	6.00	74¼	53¾	70
Richfield Cons. Oil	1.00	26⅛	14¾	18½
Schlesinger A Common	1.50	23¾	20	21⅛
Shell Union Oil	1.40	31⅞	25⅛	25⅜
Southern Pacific	6.00	125	106½	121
Sperry Flour Common	....	65	44	57¾
Spring Valley Water	6.00	108¼	101¼	104½
Standard Oil of Calif.	2.50	60¾	50⅝	53¼
Union Oil Associates	1.99	56⅛	37¾	40⅝
Union Oil of California	2.00	56¼	39½	42
Union Sugar Common	1.00	19	12	12
Yellow & Checker Cab "A"	.80	9⅛	8	8½
Zellerbach Corporation	2.00	37	28	36¾

† Spit 2 for 1. ‡ Paid 40% stock dividend.

Important Corporation Meetings

Company	Specification	Date of Meeting
American Power & Light	Special	10-10
Canadian Pacific Ry	Directors	10-10
Paramount Famous Lasky Corp.	Directors	10-10
Ahumada Lead	Directors	10-11
General Asphalt	Directors	10-11
Jewel Tea	Directors	10-11
Manhattan Ry.	Directors	10-11
National Biscuit	Directors	10-11
Southern Ry.	Annual	10-11
Tenn. Copper & Chemical	Directors	10-11
United Fruit	Directors	10-11
Western Union Telegraph	Directors	10-11
Air Reduction	Directors	10-13
American Railway Express	Directors	10-13
Case Threshing Machine	Directors	10-13
Continental Can	Pfd. & Com. Divs.	10-13
Eastman Kodak	Directors	10-13
Foundation Co.	Directors	10-13
General Cigar	Directors	10-13
Great Northern Railway	Annual	10-13
Hudson & Manhattan RR	Directors	10-13
Macy, R. H.	Directors	10-13
New York Central RR	Directors	10-13
Southern Pacific Co.	Directors	10-13
Union Pacific System	Directors	10-13
U. S. Realty & Improvement	Directors	10-13
Woolworth, F. W.	Com. Div.	10-13
Electric Auto-Lite	Directors	10-15
Sears, Roebuck & Co	Directors	10-15
Abraham & Straus	Directors	10-17
Atlantic Refining	Directors	10-17
Brooklyn-Manhattan Transit	Directors	10-17
Burroughs Adding Machine	Directors	10-17
Canada Dry Ginger Ale	Directors	10-17
Crucible Steel	Directors	10-17
du Pont de Nemours	Directors	10-17
Loew's, Inc.	Directors	10-17
Missouri-Kansas-Texas	Directors	10-17
American & Foreign Power	Annual	10-17
Chesapeake & Ohio Ry	Directors	10-18
Fox Film Corp	Directors	10-18
Howe Sound	Directors	10-18
Skelly Oil	Annual	10-18
Texas Co.	Directors	10-18
American Tel. & Tel	Directors	10-19
Atlantic Coast Line	Annual	10-19
Commercial Solvents	Directors	10-19
Cuban-American Sugar	Directors	10-19
Dodge Bros.	Directors	10-19
General Outdoor Adv	Directors	10-19
Goodrich, B. F.	Directors	10-19
Granby Consol.	Directors	10-19
Republic Iron & Steel	Com. Div.	10-19

(*Continued from page* 1079)
daily, but I am not anxious to compete in these lines either.

So friends who are groaning under the loan of a second mortgage on their cozy little home ask me: "Why do you continue to pay rent, getting nothing in return but a pi'e of worthless rent receipts?" And in true Yankee style I answer their question with another question: "Why," I ask, "why are you in the real estate business as a home-owner, when your education, training and experience has molded you for a doctor, lawyer, commercial man or teacher?" For, in the final analysis, it is my firm conviction that this is an age of specialization — this conviction has put me among the ranks of the home-renters.

HUGE PROJECTS MARK SOUTHERN CALIFORNIA EDISON'S EXPANSION

(*Continued from page* 1019)

ings, the common stock, at recent quotations above 40, would not appear cheap on surface. On the other hand, the fact should be considered that the company has been expending large amounts for additions to plant and property and that the completion of present projects is not likely to necessitate further financing proportionate and with its increased earnings expected to materialize from their operation. Thus, it is more than likely that earnings for the common stock will continue to improve on this basis. *Hence, from a long range viewpoint, it is more than probable that this junior issue will prove a satisfactory and profitable investment.*

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$6	All. Chem. & Dye cm.	$1.50	Q	10-11	11-1
$2	Amerada Corp.	$0.50	Q	10-15	10-31
$2	Amer. Can	$0.50	Q	10-31	11-15
$2½	Assoc. Dry Gds. cm.	$0.62	Q	10-8	11-1
$6	Balt. & O. R. R. cm.	$1.50	Q	10-15	12-1
$4	Balt. & O. R. R. pf.	$1.00	Q	10-15	12-1
$4	Bon Ami "A"	$1.00	Q	10-15	10-30
$4	Chic. Yell. Cab	$0.33⅓	M	10-21	11-1
$2½	Com'lth Power com.	$0.62½	Q	10-11	11-1
$6	Com'lth Power pf.	$1.50	Q	10-11	11-1
$0.80	Cont'l Motors	$0.20	Q	10-15	10-31
$6	Crucible Steel cm.	$1.50	Q	10-15	10-31
$2.40	Fair, The, cm.	$0.20	M	10-20	11-1
$4	Freeport Texas	$1.00	Q	10-15	11-1
..	Freeport Texas	$0.50	Ext	10-15	11-1
$4	Gen'l Cigar cm.	$1.00	Q	10-20	11-1
$3	Gen'l Refractories	$0.75	Q	10-7	10-15
$1.40	Hupp Motor Car	$0.35	Q	10-15	11-1
$4	Kayser, J.	$1.00	Q	10-17	11-1
$1	Kress, S. H.	$0.25	Q	10-10	11-1
Stk	Kress, S. H.	$0.50	Ext	10-10	11-1
$3.60	Liquid Carb. cm.	$0.90	Q	10-20	11-1
$1.60	Loose-Wiles Bisc. cm.	$0.40	Q	10-17	11-1
$5	Macy, R. H.	$1.25	Q	10-29	11-15
$4	Nash Motors	$1.00	Q	10-20	11-1
..	Nash Motors	$0.50	Ext	10-20	11-1
$3	N. Y. Air Brake	$0.75	Q	10-6	11-1
$2.40	Pack. Motor Car	$0.20	M	10-15	10-31
$5	Sterling Prods.	$1.25	Q	10-14	11-1
$3.60	Thompson, J. R., cm.	$0.30	M	10-21	11-1
$5	U. S. Ind. Alco. cm.	$1.25	Q	10-15	11-1
$5	Wabash Ry. Pfd. A.	$1.25	Q	10-25	11-25
$3	Wrigley, Wm., Jr.	$0.25	Q	10-20	11-1

TRADE TENDENCIES

(Continued from page 1040)

situation will undergo a sharp depression. Some large automobile manufacturers have placed inquiries for fourth quarter requirements of steel but actual buying has been exceedingly light the past few weeks. Moreover, automobile production is entering its annual autumnal decline, with little prospects of aid from the new Ford model before the end of the year. Railroads continue backward in their specifications, which is to be expected in view of generally excellent condition of equipment. The rail buying movement will soon get under way, but demand for track equipment will only balance decreases elsewhere in the steel demand and consequently larger total steel production does not seem probable. Structural steel activity is showing evidence of restraint. However, this is offset by increased agricultural steel demand.

Pig iron situation is still characterized by dullness. Basis valley has declined to a new low at $17.

COAL

Industry Still In Difficulty

The failure of recent negotiations in Illinois to end the strike has left the situation in the same status as in recent months. Little hope is held out for the labor unions, despite their long resistance. Production continues slightly under present demand; and an increasingly large percentage of union mines operating on an open shop basis, together with large number of union miners seeking work in non-union areas indicates that output will soon be correspondingly nearer consumption, which is seasonably heavier. In view of the fact that storage supplies, although decreasing gradually, are of sufficient size to take care of the demand for some weeks yet, even though there is no settlement, that situation in the coal industry cannot be construed as altogether healthy.

There are several very important factors which have had a great deal to do so far with dispelling the fear that there might be a shortage of coal, and at the same time have brought about a lessening in the demand. Over-production of oil has caused producers in that industry to seek extended outlets for their product, and oil is more and more replacing coal as a fuel. Output of petroleum is so large and prices are so low that it has become an exceedingly dangerous competitor, which position is further enhanced by the fact that its heating qualities are equally as good. Railroads and public utilities, the heaviest consumers of coal, have developed economies in their fuel usage, and con-

(Please turn to page 1086)

KEEP POSTED

BANK SELECTED INVESTMENTS

If you are seeking securities selected by the leading banks in the country for their own investment, you will be interested in reading this interesting booklet issued by the Baltimore Trust Co. Ask for 407.

MAKING PROFITS IN SECURITIES

Are you profiting by the major and also the minor swings of the market? If not, you will be interested in the above booklet issued by a leading financial service in New York City. Ask for your free copy 377.

WHEN EXPERTS DISAGREE

The Weighted Average used by a leading financial service is bound to give you the true conditions of the market. If interested in the market, you will want to receive your free copy of the above mentioned booklet. Ask for 435.

A FIXED INVESTMENT IN AMERICAN PROSPERITY

The common stocks of the leading railroads, utilities and industrials underlie the Fixed Trust shares of the American Basic-Business Shares Corporation, one of the leading Investment Trust companies. Send for your free popy 436.

BUILDING AND LOAN INVESTMENT

Now known as one of the safest as well as remunerative types of securities, you should place a portion of your funds in B. & L. shares. The association issuing this pamphlet operates under the state banking laws of Florida, which state was given an "A" rating. Ask for 437.

INVESTORS GUIDE

This booklet will lead you to complete investment satisfaction and service wherever you live. Write today for your free copy issued by one of the oldest first mortgage real estate houses. Ask for 438.

HOW TO MAKE $6,000 GROW TO $600,000

Babson's Reports through constant application of the "3 Methods" can provide you with a well-balanced investment plan which should increase and protect your capital. Ask for your free copy 439.

PHOENIX MUTUAL PROSPERITY PLAN

If you are aiming at retiring with an income when you are 60 to 65: leaving your home free of debt; sending your children to college; creating an estate; making sure your income will go on even though you become totally disabled; leaving an income for your family—you should send for a complimentary copy of this plan. Ask for 426.

THE KNACK OF CORRALLING DOLLARS

This 48-page booklet issued by the Prudence Company will show you a proved way of getting and making it grow, that has enabled thousands of men and women to enjoy rich, all-around success and genuine happiness through achieving financial independence. Ask for 316.

MANUAL OF SUGAR COMPANIES, 1927

The new edition of this booklet, issued by a prominent Stock Exchange house, covers over 100 sugar companies and includes several added features, one of which is a reference map of world production. If interested send for your free copy. Ask for 430.

16 RULES OF HEALTH

which, if followed, will give better health and longer life. Send for your free copy of the booklets which explain these rules in detail—"How To Live Long" and "How To Keep Well." Published by the most prominent institute of its kind in the United States. Ask for 431.

PLAIN FACTS OF BUILDING AND LOAN

Secure the facts regarding this safest of investments before placing your funds in securities. This booklet, issued by a prominent Texas Building & Loan Association, will be well worth sending for. Ask for 395.

"RULES FOR SAFE INVESTMENT"

Knowledge gained over a long period of years makes it possible to determine whether a given spot in a city will have a growth in property value which will be steadily increasing. This is only one of the important factors of safety of Real Estate Bonds which are explained in his booklet. Ask for 327.

Building & Loan Associations

We will be glad to answer questions regarding the protection afforded to investors in Building & Loan Associations by the laws and regulations of the states in which they are located. Address Building & Loan Ass'n Dept., c/o The Magazine of Wall Street, 42 Broadway, New York City

Colorado

7% Guaranteed Income
Payable Quarterly

Full-paid certificates. 5-year term. $50 to $10,000—in bond form. Interest coupons attached. Interest to $300 exempt from Federal income tax. Protected by the safest known type of real estate mortgages and by our substantial permanent capital—plus state supervision. *Write for folder "C".*

Silver State Bldg. & Loan Assn.

Member Colorado State League and United States League of Building and Loan Associations

1648 Welton St., Denver, Colo.

[Colorado Building and Loan Associations are Rated "Class A" by the Magazine of Wall Street.]

7% PAYABLE SEMI-ANNUALLY

Short-term full-paid certificates maturing in five years. Secured by first mortgages on homes in and around Denver plus a conservative contingent reserve fund and rigid state supervision.

Issued in units of $50 to $5,000.

Interest to $300 exempt from Federal income tax.

Write for booklet MW

The Bankers Bldg. & Loan Ass'n.
1510 Glenarm St., **Denver, Colo.**

Member Colorado State League and United States League of Building and Loan Associations
The Colorado Bankers' Assn.
The Magazine of Wall Street rated Colorado Bldg. & Loan Ass'ns "A."

Oklahoma

TWO HUNDRED THOUSAND DOLLARS IN DIVIDENDS

were paid to our investors July 1, 1927. At that time, our Seventeenth Semi-annual Report was published and distributed to all investors, borrowers and friends.

If interested in a safe, sure, conservative investment, send us your name and address.

Ponca City Building & Loan Co.
Masonic Bldg., Ponca City, Oklahoma.

Name ....

Street ....

City 2

Invest Your Earnings At 6% 7%

First Real Estate Loans
State Supervision
Tax Exempt
Details Free

Industrial Bldg. & Loan Assn.
26 W. 5th Street **Tulsa, Okla.**

Alabama

8% on Monthly Savings
8% on Fully Paid Certificates

in amounts from $50.00 to $5,000.00, withdrawable on thirty days' notice. Secured by First Mortgages on Homes not to exceed 60% of valuation.

ALABAMA MUTUAL BLDG. & LOAN ASSOCIATION
2012 Fourth Avenue, Birmingham, Ala.
Under Supervision State Banking Dept.

Texas

7% and 8% EARNINGS
Resources $4,000,000.00
Ask for
"Plain Facts of B. & L."

These facts are covered by three interesting booklets which tell how one may invest $5.00 Monthly or $10,000.00 lump sum and receive high security and return. They are yours for the asking.

Address

J. Whitney Worrick, Sales Agent
SAN ANTONIO BLDG. & LOAN ASS'N.
Box 749—San Antonio, Tex.

7% CERTIFICATES FULL PAID

Dividends Payable July 1st and January 1st

Instalment and Prepaid Certificates
Are participating and are earning 9%.
Under State Supervision, and required by law to invest all funds in **First Mortgage Notes** on improved real estate.
Located at El Paso, Texas, where real estate values are not inflated.

People's Building & Loan Association
Authorized Capital $15,000,000
205 No. Oregon **El Paso, Texas**

Florida

8% and safety

This Company has the proud record of not having lost a dollar, not having foreclosed a mortgage, has always met withdrawals on demand and has always paid 8 per cent dividends, payable 2 per cent, quarterly. We do not employ solicitors nor charge a membership fee on investments with us. All stock is non-assessable and is sold at par and redeemed at par plus earned dividends.

Member "League of Florida Building and Loan Associations"
Member "U. S. League of Local Building and Loan Associations"
Member "American Savings, Building and Loan Institute"

APRIL 5, 1921, $0.00
MCH. 31, 1922, $147,608.20
MCH. 31, 1923, $272,463.58
MARCH 31, 1924, $500,130,44
MARCH 31, 1925, $750,097.74
MARCH 31, 1926, $1,208,168.28
JUNE 30, 1927, $1,675,903.80
Authorized Capital $5,000,000

Applications for loans far exceed our available funds. We respectfully solicit your investments.

HOME BUILDING & LOAN COMPANY
Under State Supervision
16 and 18 Laura Street, Jacksonville, Fla.
Phone 5-6025

Florida's Safest Investment

Lakeland Building and Loan Association
Authorized Capital $2,000,000.00
RETURNS 8% WITH 100% SECURITY

Shares for sale at par, $100.00 per share, without bonus or commission of any kind. Pays 8 per cent per annum, in quarterly installments of 2 per cent. January first, April first, July first, and October first of each year. Owners of these shares have no taxes to pay, no insurance to look after and no titles to bother with. Operates strictly under state supervision. One's investment with dividends left to accumulate will double in eight years and nine months.

Let Us Send You Booklet

LAKELAND BUILDING AND LOAN ASSOCIATION
Box 629MW **Lakeland, Florida**

NOTICE

In view of the recent amendment of the Alabama State legislature in regard to Building & Loan Associations in which they have placed these institutions under the direct supervision of the State banking department, we are pleased to announce that we have advanced the Alabama Building & Loan Associations to a "B" rating.

FOREIGN TRADE EXPERTS SEE NO CAUSE FOR ALARM IN FRENCH TARIFF THREATS

(*Continued from page* 1077)

market of France is, as far as the United States is concerned, one confined largely to peculiar specialties, the merits of which are well recognized the world round.

(5) *Office Equipment*

The office equipment market in France is assured for the highest grade typewriters even if the present proposed tariff goes through, but it will not have as wide an extension as if more liberal treatment were given. The Jappy Company are well placed politically and are doubtless back of the move for higher rates on typewriters. Other office equipment, especially office furniture, has not a large market ahead of it. In fact the tendency of American firms in this line to manufacture over here seems likely to increase rather than decrease. Furthermore, the French market is one that is to be developed. The average French business man has not yet realized the saving involved in buying good office equipment.

(*Continued from page* 1084)

sequently are not taking usual allotments.

The anthracite situation is hardly much better. Many mines have been operating on part time schedules, which have not been aided to any great extent by the seasonal demand for Winter fuel. Prices have advanced seasonally, but keen competition from other fuels and higher quotations has resulted in restricted buying, and a none too favorable earning position for leading producers.

PAPER

Production Outstrips Demand

Although consumption of news print has been greatly increased as a result of large volume of advertising and growth of newspaper and magazine circulation, it was not in sufficient proportion to offset a higher rate of production. This has placed the industry in a weakened statistical position, which has been further aggravated by a steady accumulation of mill stocks in both the United States and Canada. In 1926 Canada definitely assumed the role of leader over the rest of the world in the manufacture of news print, and expansion is still proceeding at an active pace. The reason for this is quite obvious; paper manufacture from wood in the United States holds forth little promise of any extensive growth, while Canada is still a virgin country, affording excellent water power and abounding in untapped lumber reserves.

While it would be difficult to hazard a guess to what extent output will be pushed, it seems safe to say that a continued high production rate is hardly compatible with the heavy stocks and present market requirements. That producers are fully aware of this unhealthy condition may be gathered from the fact that a number of smaller mills are willing to do spot business on a concession basis. As the situation at this time reflects no changes of serious consequence, there is little likelihood that contract prices will suffer immediate revision. On the other hand, dealers incline to the belief that 1928 will witness a lower scale of quotations when contracting for the new year begins.

Fine paper is in much the same condition as news print. That is to say its productive capacity is far in excess of market needs, which has obtained for many months. In confirmation of which it is noted that production of this branch of the industry averaged 83 per cent in 1926, and is now estimated to be slightly under that figure. At this time the market is steady, with prices holding around their former levels.

Read the Special Announcement on page 1027

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY ACT OF CONGRESS OF AUGUST 24, 1912.

Of the Magazine of Wall Street, published every other week at New York, N. Y., for Oct. 1, 1927.

State of New York }
County of New York } ss.

Before me, a Notary Public in and for the State and County aforesaid, personally appeared E. D. King, who, having been duly sworn according to law, deposes and says that he is the Managing Editor of the Magazine of Wall Street and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse side of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, The Ticker Publishing Co., 42 Broadway, New York City. Official Publisher, C. G. Wyckoff, 42 Broadway, New York City. Editor, None. Managing Editor, E. D. King, 42 Broadway, New York City. Business Managers, None.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) The Ticker Publishing Co., 42 Broadway, New York City; Cecilia G. Wyckoff, 42 Broadway, New York City.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) Non transferrable income bonds, Richard D. Wyckoff, 42 Broadway, New York City; Cecelia G. Wyckoff, 42 Broadway, New York City.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or cooperation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is (This information is required from daily publications only.)

E. D. KING, Managing Editor.

Sworn to and subscribed before me this 26th day of September, 1927.

[Seal] RALPH J. SCHOONMAKER.
Notary Public, Westchester County.
Cert. filed in N. Y. Co. No. 1661 Reg. No. 9151a. (My commission expires March 30th 1929.)

IDEAS - SERVICE - COMMODITIES

THE OPPORTUNITY EXCHANGE

A Clearing House For Business Men

MEN - AGENTS - BUSINESS OPPORTUNITIES

Dividends and Interest

CRANE CO.

Dividend Notice

At a meeting of Board of Directors held September 20, 1927: the following resolution was adopted—

RESOLVED, That a stock dividend of ten per cent (10%) on the Common Stock of this Company be and the same hereby is declared, payable on November 1, 1927, to the holders of the Common Stock of the Company in proportion to their respective holdings of said stock of record at the close of business on October 20, 1927, in Common Stock of the Company, at par, so far as the same can be so paid in full shares, and the balance thereof payable in cash to the extent of the par value of the fractional shares of which such stockholders would otherwise have ben entitled to receive had this dividend been payable in fractional shares.

H. P. BISHOP, Secretary.

September 20, 1927.

The Baltimore & Ohio Railroad Co.

OFFICE OF THE SECRETARY

Baltimore, Md., September 28, 1927.

The Board of Directors this day declared for the three months ending September 30, 1927, from the net profits of the Company, a dividend of one (1) per cent on the Preferred Stock of the Company.

The Board also declared from the surplus profits of the Company, a dividend of one and one-half (1½) per cent on the Common Stock of the Company.

Both dividends are payable December 1, 1927, to stockholders of record at the close of business on October 15, 1927.

The Transfer Books will close at 12 o'clock noon on Saturday, October 15, 1927, and remain closed until 10 o'clock A. M., on Tuesday, October 18, 1927.

C. W. WOOLFORD, Secretary.

The Cudahy Packing Company

Chicago, Ills., Sept. 22, 1927

The Board of Directors has this day declared the regular semi-annual dividend of Three Percent (3%) on the 6% Preferred Stock of the Company, and Three and One-half Percent (3½%) on the 7% Preferred Stock of the Company, payable November 1, 1927 to stock of record October 20, 1927. Also the regular quarterly dividend of $1.00 per share on the Common Stock of the Company ($50.00 par value), payable October 15, 1927 to stock of record October 5, 1927.

A. W. ANDERSON, Secretary.

Peoples Gas Dividend

The Peoples Gas Light and Coke Company of (Chicago)

The Directors of The Peoples Gas Light and Coke Company have declared a quarterly dividend of two (2) per cent on the capital stock of this Company, being at the rate of eight (8) per cent per annum, payable out of the surplus earnings of the Company to stockholders of record at the close of business on the 3rd day of October, 1927. Said dividend to be payable on the 17th day of October, 1927.

A. L. TOSSEL, Secretary.

ANACONDA COPPER MINING CO.

25 Broadway

New York, September 27th, 1927.

DIVIDEND NUMBER 97

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Seventy-five Cents (75c) per share upon its Capital Stock of the par value of $50. per share, payable November 21st, 1927 to holders of such shares of record at the close of business at 12 o'clock, Noon, on October 15th, 1927.

A. H. MELIN, Secretary.

Dividends and Interest

Pacific Gas and Electric Company

Dividend Notice

Common Stock Dividend No. 47

A regular quarterly cash dividend, for the three months' period ending September 30, 1927, equal to 2% of its par value (being at the rate of 8% per annum), will be paid upon the Common Capital Stock of this Company by check on October 15, 1927, to shareholders of record at the close of business on September 30, 1927. The Transfer Books will not be closed.

D. H. FOOTE, *Secretary.*

San Francisco, California.

BAYUK CIGARS INC.

PHILADELPHIA

Quarterly dividends of 1¾% on the First Preferred stock of this corporation; 1¾% on the Convertible Second Preferred stock, and 2% on the 8% Second Preferred stock have been declared payable October 15, 1927, to stockholders of record at the close of business September 30, 1927. Checks will be mailed.

Harvey L. Hirst, *Secretary*

September 16, 1927.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

BELL SYSTEM

152nd Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on October 15, 1927, to stockholders of record at the close of business on September 20, 1927.

H. BLAIR-SMITH, Treasurer

INTERNATIONAL PAPER COMPANY

New York, September 28, 1927

The Board of Directors have declared a quarterly dividend of Sixty Cents (60c) a share on the Common Stock of this Company, payable November 15, 1927, to Common Stockholders of record at the close of business November 1st, 1927.

Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD, Vice-President & Treasurer.

HUPP MOTOR CAR CORPORATION

Detroit, Mich., September 27, 1927.

The Directors have declared a dividend of thirty-five cents (35c) per share (being at the rate of $1.40 per year), on the Common Stock of the Corporation, payable November 1, 1927, to stockholders of record October 15, 1927. Checks will be mailed.

A. VON SCHLEGELL, Treasurer.

JULIUS KAYSER & CO.

A dividend of One Dollar per share upon the shares of the no-par-value Common Stock of JULIUS KAYSER & CO., issued and outstanding, has been declared, payable November 1, 1927, to the holders of record of such stock at the close of the business October 17, 1927.

Dividend checks will be forwarded by Blair & Co., Inc., Agent for the Voting Trustees, with respect to shares held under the Voting Trust, and by Guaranty Trust Company of New York with respect to shares not so held.

CHARLES J. HARDY, Secretary.

Printing

Business Opportunities

Dividends and Interest

INTERNATIONAL PAPER COMPANY

New York, N. Y., August 31, 1927.

The Board of Directors have declared a regular quarterly dividend of one and three-quarters per cent (1¾%) on the Cumulative 7% Preferred Stock of this Company, and a regular quarterly dividend of one and one-half per cent (1½%) on the Cumulative 6% Preferred Stock of this Company, for the current quarter, payable October 15th, 1927, to holders of record at the close of business October 1, 1927. Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD, Vice-President and Treasurer.

ALLIED CHEMICAL & DYE CORPORATION

61 Broadway, New York

Sept. 27, 1927.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 27 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable November 1, 1927, to common stockholders of record at the close of business October 11, 1927.

V. D. CRISP, Secretary.

UNITED VERDE EXTENSION MINING COMPANY

Dividend No. 46

233 Broadway, New York, Sept. 26th, 1927

The Board of Directors of the United Verde Extension Mining Company has this day declared a dividend of seventy-five cents per share on the outstanding capital stock, payable November 1st, 1927 to stockholders of record at the close of business October 6th, 1927. Stock transfer books do not close.

C. P. SANDS, Treasurer.

OTIS ELEVATOR COMPANY

260 Eleventh Ave., N. Y. C.

September 20, 1927

A quarterly dividend of $1.50 per share on the Preferred Stock, and a dividend of $1.50 per share on the Common Stock will be paid October 15, 1927 to stockholders of record at the close of business September 30, 1927. Checks will be mailed.

C. A. SANFORD, Treasurer.

How to Make $6,000 Grow to $600,000

in an investment lifetime.

AS an investor, you are interested in increasing your capital as much as possible in the time you have. It has been possible in the past to *increase* $6,000 *to over* $600,000 *in an investment lifetime*—that has been proved. The future—in which you are interested—*should offer equal opportunities!*

Careful Investing—Time Element

IT would be virtually impossible for any one person to devote to the study of business and finance, the time and energy necessary to gain the greatest profits — consistent with safety. You would not attempt to run a large department store alone. Yet, there are, perhaps, just as many complications and duties involved in running your investment funds *correctly.*

TO ASSIST THE INVESTOR, the Babson Statistical Organization has available almost unlimited facts and data which each day scores of persons are engaged in compiling and analyzing. For 25 years, this work has been going on—piling up experience which is at your command.

The "3 Methods"

BABSON'S Reports, through constant application of the "3 METHODS", can provide YOU with a well-balanced Investment Plan which should *increase and protect* your capital and enable you to put it to the most efficient use AT ALL TIMES.

WE should like to send you, gratis, our booklet "How to Make $6,000 Grow to $600,000" together with complete information about the "3 METHODS". Write to Dept. 8 or use the coupon.

The Babson Statistical Organization
Div. 9-86 Babson Park, Massachusetts

Send me, gratis, copy of "How to Make $6,000 Grow to $600,000," also complete details about the "3 METHODS".

Name ....

Street ....

City ....**State** ....

GROWTH of Babson Clients

Babson's Reports

The Babson Statistical Organization
Babson Park, Massachusetts

The Largest Statistical Community in America